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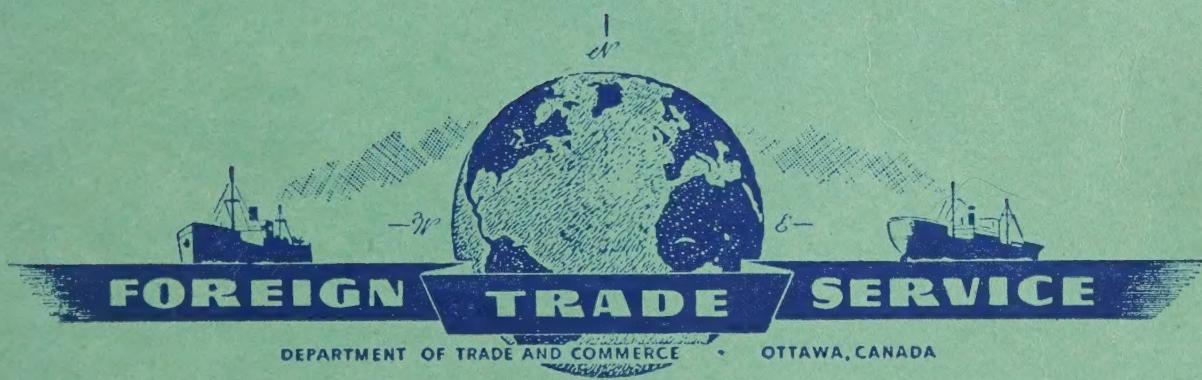
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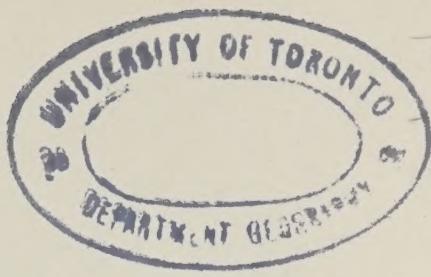
MEXICO

an economic survey

(1948?)



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by D. S. COLE, Commercial Counsellor
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MEXICO

AN ECONOMIC REVIEW

Introduction

(One metric ton equals 2,204 pounds; one kilo equals 2.2 pounds; one hectare equals 2.47 acres; one peso, of 100 centavos, equals \$0.1436 Canadian.)

THE Republic of Mexico, next to the United States, is Canada's closest neighbour geographically. It is not only the northernmost Latin American country on the North American Continent but, as the third largest country in Latin America, covers an area roughly one and one-half times the size of the Province of Quebec. Its northern border coincides with the southwestern border of the United States for a distance of 1,548 miles. The official estimate for 1946, the latest on record, placed the population at 22,776,041, an increase of about three million over the 1940 census returns of 19,653,552.

Though the great majority (about 70 per cent) of the population is dependent upon agriculture and related industries for its livelihood, industrial development has been increasing steadily, interrupted by revolutionary periods (1910-1925) and the depression years (1930-1933). The shutting off of imports from a large part of the European Continent during the war years resulted in greater production by most industries, particularly the chemical industry and the leather-goods industry. Before, during and since the war, many American companies have established branch plants in Mexico, so that the enhanced industrial activity occasioned by the war has not only been retained but even increased.

Mexico has Favourable Trade Balance with Canada

Canada is one of the few countries with which Mexico enjoys a favourable balance of trade, amounting in 1947 to \$5,279,000. This balance had increased to \$12,213,000 by 1948, owing principally to heavier raw-cotton shipments to the Dominion.

Canada's exports to Mexico in 1947 were valued at \$11,701,000, and at \$15,045,000 in 1948. The value of Canadian imports from Mexico in 1947 was \$16,980,000, increasing to \$27,258,000 in 1948. The main items of export from Canada were machinery, newsprint, whisky, sulphite pulp, insulated copper wire, sewing-machines, aluminum ingots, wire, cable, and electric meters. Canada's imports from Mexico were chiefly raw cotton, sisal, coffee, cords, twine and vegetable fibre.

Topography, Population and Climate

THE Republic of Mexico, covering some 765,000 square miles, or about one-fifth the area of Canada, is divided into twenty-eight states, two territories and a federal district. It has a northern land frontier of 1,500 miles with the United States, while the southern boundary extends for 550 miles across the northern limits of Guatemala and British Honduras. The eastern seaboard measures 1,730 miles, and the Pacific coastline is 4,630 miles long. Physically Mexico may be divided into the central plateau; the mountains of the Sierra Madre; the coastal plains, bordering both the Atlantic and Pacific Oceans; the peninsulas of Lower California and Yucatan; the Isthmus of Tehuantepec; and the Chiapas' highlands. In any economic review of Mexico it must be borne in mind that it is the central plateau, extending from the United States border south into Mexico for almost a thousand miles, that dominates the cultural and economic life of the country, for it is here that the principal cities, including the capital, are situated and the bulk of the population is concentrated.

Mexicans are Mostly a Blend of Spanish and Indian Races

Mexico may be divided roughly into three racial groups: 10 per cent white, mostly of pure European, largely Spanish descent, with a sprinkling of United States nationals; 30 per cent pure Indian, representing some 50 tribes and dialects; 60 per cent mixed (mestizos), a blend of white and Indian. The last-mentioned is by far the most important segment of the population and typifies the average Mexican. As a result of such a large proportion of the people being of mixed





Typical Mexican costumes at Tehuantepec, Michoacan and Puebla.

blood, practically no colour prejudice exists in Mexico, and the mestizo population is generally classified according to education and position. From the poorest peons to the upper classes, Mexicans are invariably courteous and kindly and extremely hospitable to visitors.

Mexican Climate is Variable

The climate varies according to altitude, that of the lower levels, the coastal regions in particular, being tropical or semi-tropical. In the highlands of the interior, weather conditions are generally mild but are nevertheless subject to sharp changes in temperature at night-fall. The winter months are the dry season, and the summer months the wet season; rainfall varies greatly in the different areas. Flowers bloom throughout the year and, in general, Mexico, from a Canadian standpoint, is a land of perpetual summer.

Population Shift to Cities in Recent Years

Although some 70 per cent of the population is still engaged in agricultural, mining or other rural pursuits, there has been a substantial movement of people to the cities in the last ten years as a result of increased industrialization.

Chief Industrial and Distribution Centres

Mexico City (altitude 7,434 feet), in the Federal District, has a population of some 2,200,000 and is one of the oldest cities in the Western Hemisphere. It is reached from Veracruz by rail (264 miles), from the United States by air (fourteen hours from New York), or by rail, preferably from Laredo, Texas. From Tampico the rail journey is 600 miles and takes twenty-eight hours. The trip may also be made by road from any of these places. There is a paved highway from Laredo, on the Texas border, to Mexico City (764 miles),



Air view of Mexico City, the capital of Mexico and one of the oldest cities in the Western Hemisphere.

which can be covered by motor car in two days. Mexico City and the surrounding Federal District is the principal commercial and industrial centre and comprises the largest market for imported goods of all kinds. The effective selling area covered from Mexico City includes nearly 50 per cent of the total population of the Republic. About 35 per cent of the total wages and salaries of the whole country are paid in the Federal District alone, and a similar proportion of the country's industrial production is credited to that area. This section is therefore of primary importance to Canadian traders. The principal industries of the area include mining, rolling mills, and the manufacture of paper, glass, bricks, cement, textiles, tires, tobacco, food products, chemicals, medicinals, furniture and clothing. The head offices of railroads and of mining, petroleum and industrial companies are located in the capital.

Guadalajara Second City of Mexico

Guadalajara, in the State of Jalisco, has a population of about 236,000 and is the second largest city in Mexico. It may be reached by road, rail, or air from Mexico City. There are also direct air service connections with the United States. It is a distributing centre for central Mexico and the Pacific coast. The total population of the selling area is about 1,500,000, but over 80 per cent are labourers, principally agricultural, with little to spend on goods other than the simpler necessities of life. The principal local occupations of the inhabitants of Jalisco are agriculture and mining. Guadalajara

produces textiles, shoes, soap, clothing, tiles, and glassware. Breweries, tanneries and flour and sugar mills are in operation. The chief imports are motor vehicles, agricultural machinery and implements, and mining and factory equipment. Jalisco is regarded as a good secondary market (after Mexico City) for luxury and fashionable merchandise. Exports are metals, fruit, sugar, nuts, hides and skins.

Monterrey Imports Mainly Machinery and Chemicals

Monterrey, in the State of Nuevo León, with a population of 190,000, is reached by air from most cities in the eastern United States; by rail (168 miles) or road (146 miles) from the United States border at Laredo, Texas; also by rail, air or road from Tampico (322 miles) or Mexico City (625 miles). The distribution area comprises the State of Nuevo León, with parts of Tamaulipas and Coahuila, having in all a population of about 1,450,000. Industries include iron and steel production, lead smelting and refining, breweries, and the manufacture of glass, textiles, shoes, paints, paper and clothing. Imports are mainly agricultural, industrial and mining machinery and installations, and chemicals. Exports are lead and silver, goat and animal skins, hides and beeswax.

Veracruz is Principal Port of Entry

Veracruz, in the State of Veracruz, has a population of 75,000. It is the principal port of entry for Mexico and is reached by steamer or air from the United States or by rail from Mexico City (264 miles).

This scene of 20 de Noviembre Street is a typical example of Mexico City's wide avenues.



The area of direct distribution includes the States of Veracruz, Tabasco and Chiapas and part of Oaxaca, with a total population of more than 3,000,000. Agriculture is the leading occupation of the inhabitants, but the petroleum industry also provides employment. The main factories produce cotton and jute goods, sugar, beer and cigars. The leading imports are motor vehicles, agricultural implements, machinery, chemicals, textiles and paints. Exports include coffee, bananas, petroleum and by-products, broom root, vanilla, pineapples and mahogany.

Cords, Rope and Twine Manufactured at Merida

Merida, in the State of Yucatan, has a population of 115,000 and is the fourth largest city in Mexico. It is linked by rail with Progreso, principal port on the Peninsula of Yucatan, by air with Mexico City; Veracruz; Miami, Florida; and Havana, and by road with Progreso and other points. It is the distribution centre for the States of Yucatan and Campeche and the Territory of Quintana Roo. The total population of these districts is about 500,000, but a large proportion comprises Mayan Indians, with little or no purchasing power. The principal industry of the area is the cultivation of henequen (sisal) and its manufacture into cord, rope and twine. There is considerable agricultural activity, including the production of chicle. Cedar and mahogany are also grown. The principal imports are motor vehicles, chemicals, machinery and electrical equipment, paints and some foodstuffs. Exports consist mainly of sisal, binder twine, crude chicle, hides, skins, dyewood and mahogany.

Large Lead Smelter at Chihuahua

Chihuahua, capital of the state of the same name (altitude, 4,600 feet) has a population of 79,000. It has rail communication with Ciudad Juarez and Mexico City, and with El Paso in Texas. A highway also connects Chihuahua with Ciudad Juarez. Air services are in operation between Mexico City, Chihuahua and Ciudad Juarez. The State of Chihuahua has a population of 500,000, about 80 per cent being labourers. The leading occupations are agriculture, mining and smelting, stock raising and lumbering. One of the world's most important lead smelters, operated by a United States concern, is at Chihuahua. A number of large modern cyanide flotation and concentration mills are also located in various parts of this area. The principal imports comprise mining and electrical machinery, agricultural implements and motor vehicles. The leading exports are lead, gold, silver ore and bullion, zinc and tin concentrates. Hides, cattle, beans, lumber and guano are also produced.

Mazatlan is Chief Mexican Pacific Port

Mazatlan, in the State of Sinaloa, with a population of 63,000, is the most important Mexican port on the Pacific Coast. It lies 734 miles south of Nogales and at a slightly shorter distance northwest from Mexico City. Mazatlan is connected by rail with Los Angeles and with Mexico City by the Southern Pacific Railroad, by air with



Oil refinery at Tampico, the centre of Mexico's petroleum industry.

these and other cities, and by steamer with various west-coast Mexican ports. The distribution area extends along the west coast for about 600 miles, has a total area of 33,000 square miles. It includes the States of Sinaloa and Nayarit and has a total population of over 660,000. The standard of living is not high, purchases generally being limited to primary necessities. The leading occupation is agriculture. Gold and silver mining are of considerable importance, but there is relatively little manufacturing. Imports consist chiefly of agricultural implements, mining machinery, hardware, tools, heavy chemicals, drugs, motor vehicles and accessories, electrical equipment and fine textiles. Exports are gold and silver bullion, vegetables, charcoal and dried fish.

Arsenic Plant at San Luis Potosi is World's Largest

San Luis Potosi, capital of the state of that name, with a population of 98,000, is 282 miles from Tampico and 327 miles from the capital. The city is reached by rail and by air from Tampico, Aguascalientes, Mexico City and other centres. This distribution area is virtually in the centre of the Republic, and includes the States of San Luis Potosi, Aguascalientes and Guanajuato, comprising a total population of over 2,000,000. Agriculture and mining are the principal industries. There are reducing and refining plants and large smelters at San Luis and Matehuala, as well as important reduction plants at Guanajuato. The arsenic plant at San Luis Potosi is stated to be the largest in the world. Manufacturing activities include the production

of clothing, shoes, fibre, ropes, bags, brushes and cotton goods. There are also foundries, tanneries, breweries and railway shops. Imports consist of agricultural implements, machinery, fine textiles, clothing, chemicals and motor vehicles. Exports are principally bullion and base bullion (gold, silver, lead, copper), zinc, antimony, black and white arsenic, quicksilver, fibres, hides and skins, chicle and foodstuffs.

Tampico is Centre of Petroleum Industry

Tampico, in the State of Tamaulipas, with a population of 84,000, is a port on the Gulf of Mexico. It is 2,030 nautical miles from New York, 497 miles from Laredo, Texas, and 602 miles from Mexico City. Tampico is connected by the National Railway System with Monterrey and San Luis Potosí. From Tampico it is possible to reach the greater part of the gulf coast of Mexico, extending 100 miles south to Tuxpan and 125 miles north and west to the Sierra Madre Mountains. Most of this territory is tropical, but the climate, in general, is mild. It has a total population of some 200,000. The principal industry of this area is the production, refining and exportation of petroleum and its derivatives, accounting for almost 75 per cent of total Mexican output. There is, in addition, a certain amount of agricultural activity and mining. Imports consist chiefly of machinery, motor vehicles, chemicals, textiles and foodstuffs.

Many Small Industries at Leon

Leon, in the State of Guanajuato, has, with its suburbs, an estimated population of 103,000 and is about 6,000 feet above sea-level. It lies 258 miles northwest of Mexico City on the main railway line to Torreón and Chihuahua and the United States frontier town of El Paso. There is good communication both by rail and road with all the principal cities of Mexico. This is the centre of an important agricultural and fruit-growing district, producing cattle, sheep, and pigs. A great variety of small industries that have developed rapidly in the past few years is located in this area. These produce leather goods, soap, flour, woollen and cotton yarns and tissues, tiles, cardboard, rubber, glassware, biscuits, sweets and chocolate, furniture, fancy iron work, fertilizers and candles. Silkworm breeding and the production of honey and beeswax are also among local activities.

Torreón Industries Based on Products of Area

Torreón (altitude, 4,000 feet), in the southwest corner of the State of Coahuila, has a population of 88,000. It is connected by rail with Mexico City (705 miles); with El Paso, Texas (523 miles); with Saltillo (187 miles); and Monterrey (253 miles). It is the centre of the Laguna cotton-growing district and is also an important distributing centre for supplies for the mining areas of Durango. Considerable quantities of wheat are also produced, and cattle, mules, horses and goats are bred. Local industries are largely based on the products of the area and include dairying, cottonseed production, flour-milling, cotton spinning and weaving, the manufacture of soap and oilseed derivatives, two foundries and the production of hardware, ice, soda-water and soft drinks, furniture, and lead roofing.



Cathedral at Puebla.

There are also a rubber factory, tanneries and cement works. Torreón is linked by air with most of the important cities in Mexico.

Puebla is Important Cotton Centre

Puebla, capital of the State of Puebla, has a population of 148,000. It is most easily reached by road from Mexico City (85 miles), although it lies on the railway between Mexico City and Veracruz. The State of Puebla produces considerable quantities of maize, sugar cane and alfalfa, but its importance is due principally to the cotton industry which centres around the capital of the state. Even in this relatively highly industrialized state, where the textile workers are among the highest paid in Mexico, about 73 per cent of the population is engaged in agriculture.

Standards of Living

Although the cost of living in Mexico has been rising steadily since about 1934, this rise has been greatly accentuated since the end of 1942. While wages have increased to some extent, the advance in the average workingmen's salaries between 1939 and 1944, according to a recent report of the Minister of Labour, was only 48 per cent, whereas the increase in the cost of living during the same period was 155 per cent. Efforts of the Government to control the rising cost of living, through the establishment of ceiling prices, importation of primary foodstuffs, and control of distribution and sale of essential products, have been only partially successful, and prices of both domestic and foreign goods are high and are expected to remain so in the immediate future. The scarcity of goods and speculative activities were primarily responsible for wartime inflation, but lack of transport facilities and inadequate distribution have also contributed their shares.

Government control of rents has been fairly effective, although only those tenants who occupied their quarters prior to July, 1942, when rents were frozen by Executive Decree, have been fortunate enough to continue paying rentals considerably below postwar levels.

The following table shows the index of the cost of living of the average workingman's family in Mexico City since 1939. Although

INDEX OF THE COST OF LIVING IN MEXICO CITY

	General	Food	Clothing	Domestic Service
(Base: Monthly Average, 1939=100)				
1939	100.0	100.0	100.0	100.0
1940	104.4	97.9	110.2	109.3
1941	104.4	100.0	122.0	115.5
1942	121.0	114.0	144.4	142.8
1943	158.5	146.6	193.2	201.3
1944	191.1	189.3	230.5	231.2
1945	213.5	204.1	251.6	236.4
1946	365.9	263.8	284.6	260.0
1947:				
January	303.3	303.4	330.5	273.1
February ...	298.3	297.6	330.5	263.3
March	295.4	294.9	329.9	261.3
April	294.5	299.6	325.5	257.5
May	297.6	299.6	322.9	255.6
June	296.4	298.8	319.7	259.9
July	297.7	301.0	316.9	254.3
August	302.8	307.4	317.7	254.7
September ..	303.3	308.3	317.9	253.5
October	304.9	310.1	318.9	253.8
November ..	305.4	310.5	320.0	254.7
December ..	304.6	309.3	321.2	254.7
Average	300.4	303.0	322.8	257.6
1948:				
January	306.4	309.9	324.8	262.3
February ...	311.7	312.8	334.3	279.6
March	313.1	313.0	341.1	282.6
April	313.4	313.3	341.8	282.6
May	314.2	314.5	345.5	277.3
June	314.5	314.8	345.9	278.1
July	322.3	324.8	345.4	280.0

these figures do not necessarily apply to foreign representatives, they serve to indicate the general upward trend of living costs in the capital. Price increases in the smaller cities and country regions run somewhat lower.

Business Conditions Change Standard of Living.

Despite the fact that inflation has retarded improvement in the standard of living of the low-paid earner, the general standard of living has virtually undergone a revolution in the country, due to the favourable business conditions that have prevailed since 1942. Before that year, sales of suitings and shoes, for instance, were very poor, whereas, up to the present, purchases have increased four or

Intersection in business section of Mexico City.



five times. Wholesale prices and the cost of living increased still further during 1947. Credit and loans increased in value, while industrial, banking, mining and general securities declined. Money in circulation was less by about 100 million pesos in 1947 as compared with the monthly averages of the previous year.

The average monthly wholesale price index, based on thirty-two articles and on an index figure of 100 in 1939, was 301·5 in 1947 as against 286·4 during 1946. The trend during the closing months of 1948 was consistently upwards, and the index stood at 306·0 in November.

On the basis of the same index of 100 in 1939, the cost of living averaged 300·0 during 1947, as compared with a monthly average of 265·9 in 1946, and rose to 305·4 in November last. The average food index stood at 302·4 during 1947 as against 263·8 during the previous year; clothing prices were up to 329·0 in 1947 as compared with 284·6 in 1946; household articles cost slightly less last year than in 1946, the index standing at 257·9 as compared with 260·0.

The favourable balance of payments during the war was responsible for a considerable increase in the monetary reserve and, as a consequence, credit expanded. According to official statistics of the Bank of Mexico, circulation of money increased five times since 1939. This has now stopped, and the future largely depends on government monetary policy. Actually the monetary circulation has decreased. On January 25, 1947, cash in the hands of the public plus bank deposits amounted to 3,745·8 million pesos in comparison with 3,747·9 million pesos in December, 1946. In March, 1948, there were 3,583·4 million pesos in circulation in comparison with 3,615·1 million pesos in April and 3,610·8 million pesos in 1947.

Living Conditions Comparable with Canadian

In Mexico City there is an acute scarcity of housing for the lower classes and, as a consequence, large slum areas are prevalent in many sections of the city, where families live in over-crowded quarters in conditions of squalor. However, there are beautiful residential sections in the city and, for the upper classes, the housing available in both modern apartments and homes exceeds the demand. There are usually one to two hundred apartments, furnished and unfurnished, advertised in the newspapers daily. In this respect Mexico is one of the few major cities of the world where such a condition exists. Unfurnished apartments in Mexico City rent for \$50 to \$100 a month for four rooms; furnished apartments of the same size are available for \$75 to \$125 a month. The rent for unfurnished houses with three bedrooms ranges from \$100 to \$200 per month.

There are several first-class hotels in the capital with accommodation comparable with the best obtainable in the principal cities of Canada. The rate for a single room is about \$4 a day, and for a double room \$7. In provincial towns the average single rate is from \$2 to \$3 per day, and in resorts such as Cuernavaca, Acapulco and Veracruz the average rates are from \$6 to \$8 per day, European plan.

Food is plentiful in many parts of Mexico, as the climate is conducive to the growing of both fruits and vegetables. However, the total amount of food produced is not sufficient to meet the demand,

and it is necessary to import substantial quantities, chiefly from the United States. Practically all well-known brands of American canned goods are available in high-quality stores in the larger centres, but the rices, because of freight and duties, are high. Domestic vegetables and fruits, however, while considerably more expensive than in prewar years, are still generally cheaper than similar foodstuffs in Canada. Meat is abundant, but as a rule is not graded, and tender cuts are difficult to obtain. While it does not possess the flavour of Canadian beef, it is, however, considerably less expensive. The following table gives an approximate idea of retail prices in the Capital as of December, 1948:

RETAIL PRICES OF FOODSTUFFS			
	\$ (Can) Per Lb.	\$ (Can) Per Lb.	
Bread	0.16	Meats—	
Butter	1.05	Beef	0.75
Cheese	1.04	Pork	1.05
Lard	0.45	Lamb	0.75
Sugar	0.12	Ham	1.20
Rice	0.22	Milk	0.15
Coffee	0.90	Eggs	0.75
Tea	1.05	Per Qt.	
Potatoes	0.10	Per Doz.	

In the course of the last two years, modern dairies have been established in the capital, and milk is processed under the most scientific conditions. However, local doctors state that the domestic milk lacks many of the nutritive qualities of the United States and Canadian products. The most popular Canadian and American brands of canned, powdered and evaporated and condensed milks are readily available.

Servants' Wages Comparatively Low

Servants' wages are extremely low in comparison with Canadian standards. Meals are provided for day workers; other servants live in the household. Following is a list of typical wages paid in Mexico.

WAGES PAID TO SERVANTS

	Pesos per Month
Cook	80 to 200
General maid	60 to 90
Nurse maid	80 to 100
Chauffeur	250 to 400
	Pesos per Day
Gardener	6 to 10
Laundress	6 to 8

In accordance with Mexican law, domestic servants are entitled to medical attention in the event of sickness. If dismissed without just cause, three months' salary and compensation equivalent to twenty days' pay must be paid for each completed year of service. The employer is also required to defray burial expenses in the event of the death of a servant.

Furniture Prices Comparatively High

Furniture and house furnishings are much more expensive in Mexico than in Canada, but supplies are available throughout the Republic. In Mexico City, Guadalajara, Puebla and Monterrey, uphol-

stered furniture and heavy rugs are appropriate, while at lower altitudes, such as Tampico, Veracruz, Acapulco and Mazatlan, wicker furniture is satisfactory, and grass or reed floor coverings generally used.

Canadians intending to establish homes in Mexico are advised to bring their own household accessories and electrical appliances, as these are very expensive locally. All electrical appliances, except clocks, operate satisfactorily on the current provided in Mexico City. Most of these items are imported from Canada or the United States.

Apparel Depends on Season and Locality

In the higher altitudes, such as Mexico City, Puebla and Guadalajara, a three-piece woollen suit of medium weight is suitable for men, as the temperatures, except in June and July, are usually too low for tropical clothes. For women, light woollen suits and dresses are practical for every-day wear. As the evenings in December and January are cool, a light topcoat is often required for protection against the chilly night air. A good raincoat is an absolute necessity during the rainy season, which extends from June to September. During the day the heat is intense in the coastal cities and tropical areas, and the lightest clothing is therefore necessary.

Stores in most of the larger towns have adequate supplies of domestic and imported garments. Following is a list of average prices for medium-grade clothing in the capital, as of December, 1948:

PRICES OF MEN'S CLOTHING		Pesos
Domestic tweed, ready-made		350.00
Imported material, tailored		650.00
Felt hats		48.00
Shoes		100.00
Shirts		35.00
Neckwear		20.00
Underwear		15.00
Socks—		
Cotton		4.50
Rayon		10.00
Suits—		
Domestic		350.00
Imported		600.00
Topcoats—		
Domestic		400.00
Imported		650.00

PRICES OF WOMEN'S CLOTHING		Pesos
Women's suits—		
Locally spun material		300.00
Imported material		500.00
Street dresses—		
Cotton		100.00
Rayon		150.00
Knitted or woollen		300.00
Hats		150.00
Shoes—		
Domestic		60.00
Imported		90.00
Hosiery—		
Domestic		15.00
Imported		22.00
Coats—		
Sports		300.00
With fur trimmings		500.00

PRICES OF CHILDREN'S CLOTHING

	Pesos
Wash suits for boys and girls from 2 to 8 years	25.00
Boys' suits, woollen	100.00
Girls' dresses	70.00
Shoes—	
Domestic	25.00
Imported	50.00
Underwear	5.00
Socks—	
Cotton	3.50
Rayon	4.50

Numerous dry-cleaning establishments are available, the cost for cleaning a man's suit or a lady's dress being about six pesos. For silk and evening clothes the prices vary, depending on the garment.

Tailors and dressmakers are equipped to make clothing to order. Costs are slightly higher than in Canada.

Mexican Department Stores Similar to Canadian

Mexico's department stores are similar to those in Canada. However, there are no establishments corresponding to the well-known five and ten cent stores, but open-air markets throughout the country offer native-made merchandise at very reasonable prices. Shopping hours are 9.00 a.m. throughout the day to 5.00 p.m., except on Saturdays, when department stores are open until 7.00 p.m. Grocery stores are an exception and are open from 8.00 a.m. to 2.00 p.m. and from 4.00 p.m. to 8.00 p.m.

Competent Doctors Available

There are plenty of competent physicians and surgeons in the cities of Mexico, many of whom hold American or European diplomas. A number of American doctors practise in the capital, in Guadalajara and in Monterrey. The fee for office calls in Mexico City is 10 or 15 pesos; a physician visiting the patient at home usually charges 15 to 25 pesos. There are specialists in almost all branches of medicine, their fees ranging from 40 to 100 pesos per visit.

Contagious diseases, notably typhus fever, are prevalent in the Mexican capital, and vaccination against smallpox is advocated. Typhoid fever is also prevalent, particularly in June, when the rainy season begins, and typhoid inoculations are considered imperative. Pulmonary and intestinal infections and intestinal disorders are also common. Dysentery of various types, including amoebic dysentery, is endemic and may be avoided only by drinking boiled or bottled water and by the consumption of cooked or peeled fruits and vegetables. Sporadic cases of undulant fever are attributed to local milk, and it is therefore recommended that only boiled, canned, or powdered milk be consumed.

Although the high altitude of Mexico City is stimulating at first, even a brief period of residence is likely to produce nervous and organic disorders, especially those suffered by people with heart and kidney trouble and high blood pressure. A quiet way of living and regular visits to lower altitudes will, however, enable a person of sound constitution to keep in a healthy condition.

Hospitals Are Well Equipped

The Mexican Health Department, collaborating with social security authorities, maintains a number of general hospitals and clinics for the public, but the members of the foreign colony invariably patronize privately endowed hospitals. The American-British Cowdray Hospital, in Mexico City, is well equipped with all the usual hospital services. The chiefs of staff and many of the surgeons are American or British. The average daily cost of a room is 25 to 40 pesos. The average cost of an appendectomy is 500 pesos, plus the cost of items such as anaesthetics, X-rays, laboratory analyses and medicines.

Mexican dentists as a whole are well qualified, and many are graduates of United States universities. Dental fees are generally lower than in Canada, those for first-class work being approximately as follows: alloy filling, 20 pesos; gold fillings, 75 pesos; cleaning, 35 pesos; simple extraction, 10 pesos.

Practically all standard medicines and toilet articles are available locally. The prices of all drug and patent medicines are under the control of the Department of National Economy, and it is required by law that the price of the article be shown on the package. Vitamin pills and calcium tablets are available locally and are considered an essential supplement to regular diet.

Public Schools Inadequate for Canadians

The courses of study provided in the Mexican public schools are substantially different from the curricula in the United States and Canada, and for this reason are inadequate for Canadian children. School terms in Mexico are also different; one semester runs from the beginning of July to December, followed by a vacation, from December through January, which corresponds to the summer vacation in the United States. The second semester runs from February to June, and changes of classes and transfers are generally effected in June.

Private Schools Prepare Students for College

In Mexico City there are a number of private schools designed to prepare students for further study abroad. The most important of these is the American School Foundation, with a faculty composed principally of American teachers. It includes a kindergarten, grade school and high school. A graduate should be prepared to meet the entrance requirements of Canadian colleges as well as the requirements of the National University of Mexico. Fees vary from 65 to 75 pesos per month, not including a charge of 30 pesos per month for school-bus transportation. It is probable that next year the tuition fees will be increased slightly. Other British and American schools include the Maddox Academy, Helena Herlihy Hall, Williams School, and Gordon College.

Municipal Transportation Adequate

The urban area is adequately covered by bus lines from Mexico City, radiating from the Plaza de la Constitución, known as the "Zocalo", in the heart of the city. Bus fares are 0·15 centavo or 0·20

centavo on those lines which serve the distant suburbs. There are a few lines with superior buses in which standing passengers are not permitted, the fare being 0·25 centavo. Mexico City also has a reasonably efficient street-car system with a 0·15-centavo fare.

Taxis Charge by Trip and Hour

Good taxis here are available in all the principal towns and cities of Mexico. Meters are in process of being installed in taxis in the capital, but, until this is completed, charges will continue to be levied according to zones and distance. Prices in Mexico City range from one peso minimum upward. From the centre of the city it is possible to travel to any of the suburbs for 6 pesos to 8 pesos. It is also possible to arrange for taxis on a half-hourly and hourly basis, although this is the exception rather than the rule. It is customary and desirable for the passenger to come to an agreement with the driver as to the cost of the trip before entering the taxi. Taxis are readily recognized, as they are required to have bodies of grey trimmed with blue, and the licence plates are of a different colour from those used by private automobiles.

Modern Telephone Communication throughout Mexico

There are two principal telephone companies in Mexico: Cia. Mexicana Telefónica y Telegrafica, S.A.; and Telefonos de Mexico, S.A., which serve the principal cities of the Republic. It was not, however, until January, 1948, that the two companies merged their systems in the capital, thus eliminating a situation which for many years had been highly unsatisfactory. The cost per telephone for apparatus and service in homes is 9 pesos a month, while for business use the cost of telephone service is somewhat higher, varying according to the number of instruments per organization.

In addition to the two main companies, there are several small independent companies in different parts of the country. It is possible to make connections from almost any part of the Republic with the American Telephone and Telegraph lines at the United States border, thus permitting calls to the United States and Canada without undue difficulty.

Government Telegraph and Cable Service International

Mexico has its own telegraph and cable service, operated by the Ministry of Communications and Public Works. This line has connections for international messages by wire and radio to all parts of the world. In addition, the Western Union operates in Mexico and has its principal office in Mexico City, with branch offices at Salina Cruz, Veracruz, Tampico and Puerto Mexico. However, it has been announced that, as from June, 1949, the Mexican Government will operate all telegraphic communications in the country.

Gas is not supplied by pipe to homes in Mexico, but Petroleos Mexicanos, the government-owned oil monopoly, markets a butane gas for domestic purposes at a cost of 10 pesos per cylinder of 18 kilograms. In addition, a number of private companies import gas from the United States at slightly higher rates.



Cathedral in Mexico City.

It is estimated that a Canadian family consisting of two adults and two children, occupying a medium-sized house in the Capital, would spend approximately 30 to 40 pesos per month for gas for cooking and hot water, and 20 to 25 pesos per month for electric light, refrigeration, toaster, iron, etc.

Automobiles Are a Necessity

Possession of an automobile in Mexico is a great convenience because of the all-round inadequacy of local transportation facilities. The leading United States automobile manufacturers are represented in Mexico by authorized dealers. Most homes have their own garages, the rental for an outside garage being about 30 pesos per month. Visitors intending to drive to Mexico should consult their nearest automobile association for full details of documents required.

Supplementary Stamps Support Various Campaigns

The internal postage rate for ordinary letters is 0·15 centavo for less than twenty grams. In addition, the Mexican Government from time to time issues supplementary stamps, costing about one centavo, in support of campaigns such as anti-malaria, education, etc. Ordinary mail to Canada costs 0·15 centavo for less than 20 grams, and the air mail rate is 0·40 centavo for each five grams or fraction thereof.

English Language Newspaper Published in Mexico City

The three principal morning newspapers of Mexico City, *El Universal*, *Excelsior*, and *Novedades*, carry an English page, and one English newspaper, the *Mexico City Herald*, is also published. The official government organ is the daily *El Nacional*. Bookstores, newsstands and the leading hotels carry current American magazines and popular fiction in English.

National Finance

ON July 22, 1948, the Mexican peso dropped from the fixed rate of 4·85 to the United States dollar, which it had held since 1940, to 6·65 a few hours after a 24-hour suspension of gold and silver operations by the Bank of Mexico, occasioned by the abnormally heavy outflow of United States dollars, which had reduced the national reserve of gold and foreign exchange to a dangerous low. This naturally had a very disconcerting effect on business of all kinds and, during the months of August and September, the peso fluctuated actively between 6·20 and 6·75 pesos to the dollar. However, by October, business operations were once more proceeding in a fairly normal fashion, and from then until January, 1949, it remained fairly constant, hovering between 6·85 and 6·90 pesos.

Behind this devaluation lay a fifteen-year period of ups and downs for the peso, beginning with a period of fluctuation in 1932, until it was fixed at 3·55 pesos to the dollar in July, 1933, and at 3·60 pesos in November of the same year. Thereafter, as a result of a sharp rise in the price of silver, caused by heavy American buying, the peso, which contained a large proportion of silver, became more valuable as bullion than as currency, and in April, 1935, silver coins of 72 per cent fineness were called in and used as background for an issue of paper bills, while at the same time a new series of silver coins of 42 per cent fineness was issued.

In 1938, after the expropriation of foreign petroleum holdings, the peso was unpegged and fell as low as 6 to the dollar before being repegged at 4·85 in 1940, where it remained until the recent devaluation in July, 1948.

Bank Deposits Substantially Increased

Bank deposits rose month by month from 1,717·8 million pesos in January, 1948, to 1,786·2 million pesos in October. Banking circles estimate that Mexican deposits in banks abroad have risen to nearly 135 million dollars as compared with 30 million dollars two years ago, and this to a considerable extent accounted for the necessity of devaluation in July, 1948.

Bank clearings were 2,335·9 million pesos in January, 1,492·9 million pesos in February, and 2,271·9 million pesos in April, 1948. They reached their highest level during the month of August, 2,443·3 pesos, dropping to 2,372·2 million pesos in October. The average clearings for the ten months ending October, 1948, were 2,244·2 million pesos as compared with a monthly average of 2,133·4 million pesos during 1947.

Amount of Currency in Circulation Rising Monthly

Currency in circulation totalled 3,438·9 million pesos in January, 1948, increased month by month to 3,488·5 million pesos in April and

continued advancing to 3,729 million pesos in October as compared with the monthly average circulation of 3,416·4 million pesos during 1947.

Credits and loans by private banks totalled 1,192·2 million pesos in January, 1948, dropping to 1,213·6 million pesos in April and then rising to 1,344·6 million pesos in October. The monthly average for the ten months ending October, 1948, was 1,247·3 million pesos as compared with 1,102·7 million pesos for 1947.

Security indices were notably lower in 1948 than in 1947. Based on 100 for 1939, the index of general securities averaged 257·8 for the first eleven months of 1948 as against an average of 273·2 for 1947; industrial securities were down from 325·3 in 1947 to 305·2, banking securities from 223·7 to 210·6, and insurance securities from 198·2 to 190·8.

Bank of Mexico a National Institution

In September, 1925, the Bank of Mexico was established with an authorized capital of 100,000,000 gold pesos, of which 66,771,000 pesos was paid up by the end of December, 1930. It succeeded a number of former banks of issue and, under Article 28 of the Constitution, has the sole right to issue notes. It has five branches, but discontinued commercial banking in April, 1932, becoming solely a central reserve and issue bank with capital reduced to 50,000,000 pesos (30,606,000 pesos paid). The Government holds 51 per cent of the capital stock. The bank is now closely modelled on the Federal Reserve system, with wide powers to "manage" the currency. In November, 1947, metallic monetary reserves (gold, silver and foreign exchange forming the required 25 per cent reserve against notes and other demand liabilities) were 642,000,000 pesos; authorized holding of securities totalled 1,482,000,000 pesos. Net gold and foreign exchange and the credit balance with the International Monetary Fund must represent at least 80 per cent of the bank's required reserves; the remainder may be silver.

About Two Hundred Commercial and Investment Banks Operating

In addition, there are approximately two hundred commercial and investment banks with branches throughout the Republic, and the activities of these banks are controlled by the Bank of Mexico in much the same way as the Bank of Canada controls the activities of the commercial banks of the Dominion.

These commercial banks act as agents for foreign banks in all parts of the world, including Canadian banks, and this is of prime importance to Mexico's foreign trade. There is one foreign bank in the country, the National City Bank of New York, which maintains a large branch in Mexico City.

The Government also operates eight other banks which are of a specialized type and were established to assist co-operatives, credit unions and small farmers.



Bank of Mexico on left and business offices in Mexico City.

Stock Exchange Facilities in Mexico

The Mexico City Stock Exchange, founded in the latter years of the nineteenth century, has at present sixty full members (membership is limited to one hundred full members) and forty associate members. A president and board are elected annually. The exchange deals only in Mexican stocks and bonds, as there are branches of New York houses, with direct wires to their head offices, which handle American securities. A banking commission appointed by the Government regulates the dealing in stocks and bonds and operates in the public interest. The exchange carries only listed stocks and, as the volume of trading is not great, is open from 12.30 p.m. to 1 p.m. on week days.

Mexican Government Budget for 1949

The federal budget for 1949, amounting to 2,550,000,000 pesos, establishes an all-time high record, and provides for an increase in expenditures of 248,000,000 pesos over last year's figure.

The heading "investments" includes contributions to the National Railways, Federal Electrical Commission, Real del Monte (silver mining proposition at Pachuca) and other enterprises, the bulk of the funds, from a strict accounting standpoint, being expenditures and not investments. It is understood that "additional expenditures" comprise subsidies to federal territories, social security and pensions, and include 30 million pesos for financing farmers through two banks which specialize in this field.

**COMPARATIVE FIGURES OF THE PRINCIPAL
BUDGETARY EXPENDITURES**

	1949 Pesos	1948 Pesos
Legislature	17,000,000	15,000,000
Presidential office	2,330,000	1,725,000
Judicial	8,726,000	7,434,000
Minister of Interior	14,200,000	13,000,000
Foreign relations	32,930,000	25,845,000
Trade and finance	85,000,000	100,000,000
National defence	262,000,000	240,000,000
Agriculture	42,250,000	41,000,000
Communications	442,923,500	415,500,000
National economy	18,800,000	45,940,000
Education	280,000,000	246,000,000
Health	126,000,000	115,000,000
Navy	69,300,000	70,500,000
Labour	5,800,000	5,500,000
Agrarian development	14,080,000	12,900,000
Irrigation	245,500,000	235,000,000
Fiscal	4,057,000	3,800,000
National properties	6,720,000	6,410,000
Military industry	18,183,000	17,250,000
Investments	139,000,000	95,000,000
Additional expenses	135,200,500	226,010,000
Public debts	580,000,000	361,186,000
Total	2,550,000,000	2,300,000,000

On the revenue side, the Minister of Finance estimates net tax income in 1949 at 2,372 million pesos as compared with estimated tax receipts of 1,940 million pesos in 1948. Bond placements of 179 million pesos are for amortization of the public debt; this compares with bond placements of 266 million pesos in 1948.

COMPARATIVE FIGURES OF NET REVENUES

	1948	1949	Increase (+) or Decrease (-)
	Millions of Pesos	Pesos	
Income	458	503	+ 45
Exploitation of natural resources	160	320	+160
Imports	325	300	- 25
Industry	253	280	+ 27
Commerce	201	270	+ 69
Exports	103	270	+167
Public services	97	108	+ 11
All other	343	321	- 22
Total receipts	1,940	2,372	+432
Bond placements	266	179	- 87
Grand total	2,206	2,551	+345

It is generally agreed that, if the objectives of the 1949 budget are to be achieved, it will require a considerably higher level of economic activity than characterized 1948. However, the Minister of Finance is taking practical steps to improve collection methods and make budget controls more effective.

Agriculture

MEXICO is one of the largest countries in Latin America, but its soil is one of the poorest. The fact that the country's subsoil is rich in oil, silver, gold and other minerals has tended to create the erroneous impression that Mexico's topsoil is equally rich. According to official figures, only 23,400,000 hectares (one hectare equals 2.47 acres) or 12 per cent of the total area of the country, is suited to agriculture. The rest is pasture, forest, desert or land otherwise unfit for cultivation.

However, of the 23,400,000 hectares which could be brought under cultivation, only 2,000,000 hectares are abundantly supplied with rainfall. This represents but one per cent of Mexico's total land surface. Another 15,000,000 hectares are subject to uncertain weather conditions, while 7,000,000 hectares could be reclaimed through irrigation.

The National Irrigation Commission contends that these figures demonstrate why Mexico can never be a great agricultural country and must therefore look to industrialization as its salvation. Unlike the United States, Argentina and the Ukraine, which have vast fertile areas with adequate water supply, Mexico can utilize little more than 9,000,000 hectares, 7,000,000 of which have to be irrigated.

The Camacho administration spent a total of 656,000,000 pesos during its six-year term to restore some 700,000 hectares, raising the total irrigated area of the country to almost 1,000,000 hectares.

President Miguel Aleman, who succeeded General Camacho in 1946, is following the same policy of increasing the rate of investment in irrigation development and has announced that, during his six-year term he will spend 1,500,000,000 pesos, or twice the amount invested by his predecessor. These irrigation projects, on completion, will open to cultivation an additional 1,400,000 hectares so far unworked and reclaim 300,000 acres now in an unsatisfactory condition.

Agricultural Production Advances Sharply

Increased production of practically all crops is the salient new fact in Mexican economy in 1948. Government credits to farmers, the delivery of farm machinery, tools and notably improved seed to small farms, also by the Government, and the expanding area of crop lands obtained by irrigation works, all are yielding results which support the official contention that agriculture will in the immediate future become an industry with strong export possibilities.

Introduction of Hybrid Corn Increases Crop

The year-end (1948) corn harvest will for the first time in many years be sufficient for domestic needs, and a small surplus is anticipated, so that Mexican farmers will be able to use corn for livestock feeding — a practice hitherto almost completely unknown in this country. A government corn commission, which has the assistance of American experts, has introduced hybrid corn during the past twelve months and, henceforth, increasing quantities of hybrid seed will be available, at little or no cost to farmers, from experimental farms

which are operating at various altitudes and in different parts of the country. There is every indication that the nation will grow increasingly large quantities of corn, to the point where hog farming will become an organized industry of importance.

Future for Wheat, Pineapple and Sugar Appears Bright

Wheat crops are being increased by larger plantings and by a government-guaranteed price to farmers. The current (1948) crop of 500,000 metric tons is the largest since 1931, but it meets less than one-half of the nation's requirements.

Pineapple harvests are also expected to expand in the future. Practically all the crop is now being canned for export, and large new tracts in southern Mexico are being planted by an American company which hitherto operated exclusively in Hawaii.

The sugar crop of 636,000 tons consolidates Mexico's new world position as a sugar-exporting country. A surplus for export was first available a year ago. Probable exports of 150,000 tons early in 1949 contrast sharply with imports, which reached their greatest volume—100,000 tons—in 1945.

Cotton Crop Largest on Record

The 1948 cotton crop, currently estimated at 550,000 bales, is the largest on record. Mill consumption of cotton is declining from wartime peaks, thus providing large export surpluses. However, government restrictions to date have kept exports low from this year's crop, although in the first eight months of 1948 Canada imported over \$16,216,366 worth of raw cotton from the 1947 crop, this being by far the most important item of import from Mexico.

Green Coffee and Oilseed Cake Exports Heavy

Exportation of green coffee amounted to 180,835 bags (of 600 kilos each) for the first quarter of 1948, with heavy shipments reported during the second quarter of the year. Exports for the first half of the present coffee year are the largest since 1943-44.

Vegetable oilseed production continues to increase, with special emphasis on copra, sesame and flaxseed. Imports of copra and vegetable oils are declining. Exports of flaxseed and oilseed cakes and meals continue as important new foreign trade items. Imports of cacao, malt, hops and leaf tobacco remain high on the list of supplemental import products, and crude rubber imports still outweigh exports of guayule.

Traditional Exporter of Hard Fibres

The Yucatan Peninsula of Mexico is noted chiefly for its production of henequen (also known as sisal), and for many years large quantities have been shipped to Canada and the United States for the manufacture of cordage. Other hard fibres, including istle and tampico, are grown in other parts of Mexico, and exports of hard fibres of all kinds to Canada for the first six months of 1948 were valued at \$1,967,928.

Miscellaneous Exports of Agricultural Products

Among several miscellaneous items of export in 1948 were: fresh tomatoes (Canada normally imports about one-half million dollars worth from Mexico during the winter months), rice, bananas, canned meat, and canned meat products. Large quantities of the latter have been available as a result of the slaughter program to eradicate hoof-and-mouth disease, and exports have gone to European countries, where meat shortages have been most acute.

One-third of Land Co-operatively Owned

Years ago Mexico was divided into a relatively small number of large estates, or haciendas, averaging 8,000 acres in area. Under Spanish rule, 10,000 Spaniards only owned the land. Living conditions among the peasants steadily deteriorated, and this eventually brought about the agrarian revolution of 1910, when 90 per cent of the people were landless. Today less than 50 per cent of the peasantry are in this condition, about 30 per cent belong to co-operative farming organizations (ejidos), and at least 20 per cent own some land. The present regime has favoured the ejido rather than the small farm (rancho). Thus was established the ejido, the unit for holding land in common. The inalienable title to the land was held by the Government on behalf of the village. Fertile lots which could not be rented were apportioned to heads of families, who could hold the land as long as they farmed it. Despite these advantages, a high percentage of the peasantry remain tied down to the land by heavy indebtedness. Conditions in rural Mexico reflect the steps the Government has taken from time to time in relation to the land. Up to the end of 1941, 65 million acres of confiscated lands had been redistributed to 1,500,000 families in accordance with agrarian laws.

The ejido system has long been a subject of widespread controversy throughout Mexico. In September, 1946, one of the nation's leading financial papers attacked the ejidos, stating that, although the number of persons engaged in Mexican agriculture had risen from 3,000,000 in 1900 to 3,830,000 in 1940, the increase in production had been very slight. It further stated that the solution of Mexico's problems did not lie with the expropriation of landowners, since the peasants who took over were inexperienced and unable to obtain the credit necessary for the development of agriculture, which facilities were available to the landholders under the old regime.

Government Proposes to Raise Standard of Living

The constitution of February, 1917, is indicative of Mexico's efforts to raise the general standard of living of the Mexican masses. Article XVII of that Constitution reads as follows:

The ownership of lands and waters within the limits of the national territory is vested originally in the nation, which has had, and has, the right to transmit title thereof to private persons, thereby constituting private property. Private property shall not be expropriated except for reasons of public utility and by means of indemnification. The nation shall have at all times the right to impose on private property such limitations as the public interest may demand, as well as the right to regulate the development of national resources which are susceptible to appropriation, in order to conserve them and equitably distribute the public wealth.

Development of Natural Resources Planned

The article quoted above paved the way for the six-year plan formulated when President Cardenas assumed office in 1934. The aim was to develop Mexico's material resources according to a program approved by the National Revolutionary Party.

The scheme provided for a nationalistic co-operative economic system, for the reform and extension of the agricultural and labour codes, for the nationalization or control of mineral resources in accordance with the principles of the Constitution of 1917, for the regulation of industry, and for the improvement of national and social services, including communications, public works, education and health. The provisions were as follows:

1. The establishment of an Agrarian Department to solve the agricultural problem by the further distribution of lands to small farmers and by the establishment of agricultural communities in line with the Agrarian Code of April, 1934.
2. The nationalization of all subsoil wealth and the prevention of monopoly of mineral deposits by foreign interests.
3. The stimulation of new industries by encouraging the importation of the means of production and by eliminating the importation of goods competitive with articles of national manufacture.

In pursuance of this plan, the program of land distribution was accelerated considerably during the Cardenas regime and, between the years 1935 and 1949, more than 41 million acres were distributed among farmers and peasants as compared with only 20.5 million acres during the preceding nineteen years.

In common with other Latin American governments, that of Mexico has taken quite extreme legislative precautions to contain living costs. However, efforts to impose ceilings on the wartime and postwar prices of foodstuffs, clothing and other basic necessities have been defeated by the shifting of administrative authority and the mushrooming of government agencies.

Defeated in their frontal assaults on a cost-of-living index that has been bolstered by black markets, speculation and hoarding, and equally by lack of transportation, warehouses and refrigeration, the wartime Avila Camacho government and the present Aleman regime have tried a series of flank attacks. Popular restaurants have been opened in the capital, where low-cost meals are served. A government agency, the Nacional Reguladora y Distribuidora, has for five years been handling all the nation's imports of cereals and fats and from time to time has distributed them by truck and at official prices. The same office controls a small chain of grocery stores in Mexico City, at which basic foodstuffs are sold cheaply. When living costs continued to soar during 1947 and 1948, the government of the Federal District opened a number of open-air popular markets to which private and co-operative farmers have trucked their produce and placed it on sale at advertised prices. Rationing has not been tried at any time, during or since the war, as administrative problems, in the Government's opinion, would have proved insurmountable.

Sugar Production Short of Domestic Demand

Mexican production of sugar has failed to keep pace with increased domestic consumption, particularly that of industry, during recent years. In 1941 a total of 327,000 tons was produced locally as against 365,000 tons consumed. For 1944 these figures were 389,000 tons and 466,000 tons respectively. During the period 1940-1945, production met domestic demand only in 1942, with a crop of 420,000 tons. The 1945 crop (370,000 tons) fell slightly below that of 1944, and consumption for 1945 was estimated at 450,000 tons. In order to cope with these shortages, 30,000 tons were imported in 1943, 60,000 tons in 1944, and almost 100,000 tons in 1945. Cuba supplied 90,000 tons in 1946.

According to forecasts of the Sugar Co-Operative (Union Nacional de Productores de Azucar) with regard to the probable production for 1948, compared with the nation's consumption of 450,000 tons, Mexico will have an output of 636,000 tons. In the last five-year period, 403,000 tons were harvested yearly, but this figure increased to 483,000 in 1947, when consumption was 430,000 tons.

COMPARATIVE FIGURES OF SUGAR CROPS

	1948	1947	Incr. or Decr.
	Figures in Thousands of Tons		
Colima	5	4	+ 1
Jalisco	71	53	+ 18
Michoacan	30	15	+ 15
Morelos	71	56	+ 15
Nayarit	8	7	+ 1
Oaxaca	6	4	+ 2
Puebla	44	37	+ 7
San Luis Potosi	4	9	- 5
Sinaloa	77	56	+ 21
Tamaulipas	60	40	+ 20
Veracruz	260	260	+ 54
 Totals	 636	 487	 +149

The comparative figures for the plantations in Yucatan and Tabasco, which yield about 6,000 to 7,000 tons, are not included. Consequently there will be an increase of approximately 150,000 tons, which is not in agreement with the consumption figure, as has been stated, since there was already a heavy deficit in 1947. This is due to the opening of five new plantations, of which two are located in Sinaloa, one in Jalisco, one in Tamaulipas, and one in Veracruz. These plants will not be operating at full capacity until this year, when they will double the increase recorded to date.

Presumably the consumption of sugar in 1949 will amount to 450,000 tons, or about 20,000 more than in the previous year. The carry-over from 1947 was 50,000 tons, and the regulating stock was 100,000 (since 1946); consequently, in December, 1947, Mexico had a stock-pile of 150,000 tons, which, added to the excess in 1948, will amount to about 300,000 tons; from this can be deducted the reserve of 100,000 tons, leaving 200,000 tons. However, this surplus will not influence local prices. The firm of "Azucar, S.A." (member of the sugar co-operative) communicated with the Chief Executive, suggesting the advisability of exporting this surplus. This course was approved, although it was not possible to sell more than 160,000 tons; consequently there will be an unsalable surplus of nearly 50,000 tons.

During past years, although Mexican production remained steady or increased, national consumption rose rapidly. Inflated incomes during the war resulted in increased purchases of confectionery of all kinds, and large purchases are still being made on behalf of soft-drink bottling plants, which are greater in number than at any previous time. On the other hand, transportation facilities by railroad and highway have been improved, and larger areas of land have been cleared for the cultivation of sugar-cane.

Experts consider the task of selling surplus sugar in foreign markets a difficult one. Cuban production for 1948 will be 6 million tons, 70 per cent of which (4.2 million tons) will be sold to the United States. The remainder will have to be offered at low prices if it is to be disposed of. To date the following contracts for export have been signed:

SIGNED CONTRACTS FOR EXPORT OF SUGAR

Country	Tonnage	Product
Great Britain	100,000.....	Unrefined sugar
Italy	20,000.....	Refined sugar
United States	25,000.....	Refined sugar
	20,000.....	Surplus which will be converted into
Total	165,000	13,000 tons sugar.

According to information received from the Sugar Co-operative, the sale of this sugar represents for it a loss of 37 million pesos, because it will be sold at an average of 34 centavos a kilo, whereas it is necessary to pay producers 60 centavos a kilo. However, the Federal Government has granted a subsidy amounting to 50 per cent of the loss, the other half remaining to the debit of the operators.

According to cost tables prepared by the Labour Union of the Sugar Co-operative, the cost of production is 40 centavos per kilo on plantations with advanced technology, and from 44 centavos to 46 centavos on those not possessing up-to-date machinery. An average cost would be 43 centavos a kilo, 60 per cent of which represents the value of the sugar-cane plus labour costs, and the remainder overhead and distribution costs.

Imports of Wheat Subject to State Control

A shortage of cereals in the immediate postwar period is being gradually overcome as extensive irrigation works help to increase agricultural production.

The importation of wheat has been in the hands of Nacional Distribuidora y Reguladora, a government agency, since 1942. The agency was set up by President Avila Camacho for the purpose of regulating supplies and controlling prices. It handles all wheat imported into Mexico, as well as fats, and has acted as an import or export agent for corn, oats and sugar.

The principal states of Mexico in which wheat is produced are the following: Coahuila, Chihuahua, Durango, Nuevo Leon, Zacatecas, Baja California, Sinaloa, Sonora, Aguascalientes, Guanajuato, Hidalgo, Jalisco, Mexico, Michoacan, and Puebla. Of all these areas, the central zone in and around the Federal District is of the greatest importance.

The 1948-49 wheat yield was approximately 500,000 metric tons, the biggest since 1931 and 75,000 tons above the previous harvest, thanks chiefly to government policy, guaranteeing a price to growers, and to vigorous campaigning for bigger sowings. The wheat harvest still lags behind the nation's needs, although imports declined in 1948 to 260,000 tons from 300,000 in 1947 and the record 440,000 in 1944. In addition, there were wheat flour imports of some 13,000 tons during 1948 as against 23,000 tons in 1947. Generally, grain is imported in preference to flour, so that local mills may be kept busy.

Hoof-and-Mouth Disease Has Occasioned Heavy Losses

Hoof-and-mouth disease, which first was reported in Mexico towards the end of 1946 and reached epidemic proportions before drastic action was taken against it, has played havoc with the livestock industry and may persist into 1951.

The spread of the disease was arrested by a joint Mexican-United States Commission which necessarily started upon a policy of wholesale slaughter of sick or exposed cattle, sheep and goats and put into effect a system of disinfection of all foot passengers and vehicles travelling between zones. By May 1, 1948, a total of 492,613 head of cattle and 195,751 small animals had been slaughtered in sixteen states and the Federal District, and compensation amounting to U.S.\$25,726,610 was paid to farmers and breeders.

On November 16, 1947, it was possible to abandon the policy of slaughtering infected and exposed stock alike and to use vaccine which then had to be imported from Europe but later was produced in Mexican laboratories under supervision of the Joint Commission. Two quarantine lines were established, guarded by Mexican troops and stretching from the Pacific to the Gulf coasts north and south of the Capital. Inside these lines the slaughter of infected animals was continued as a necessary protection for the disease-free areas. Towards the end of 1948, the Commission formed new brigades of veterinaries and inspectors who, with the aid of troops, will continue to vaccinate all stock and inspect farm buildings every six months until the disease is considered to have been eliminated.

There were in the whole Republic approximately 12 million head of cattle and 16 million small animals when hoof-and-mouth disease was first detected. It can therefore be estimated that the nation's livestock will be depleted by a minimum of 500,000 cattle and half that number of hogs, sheep and goats before the present campaign ends. It will remain to be seen whether the disease will have become endemic by that time. The danger is fully appreciated by the United States livestock industry, and the Canadian Government, which sent officials of the Department of Agriculture to Mexico as observers in the early stages, also has followed developments with the closest attention.

Draught animals which have been destroyed by order of the Joint Commission were for a long period replaced by imported mules and tractors. These replacements, as well as the required modern accessory machinery, continue in short supply. In many cases the small farmer is having to be taught the new farming techniques that are required

in the use of new implements but, from the long-term point of view, it is likely that Mexican agriculture will gain by the mechanized changes forced on the farmers by the crisis.

A further effect of hoof-and-mouth disease has been to encourage the establishment of meat freezing and canning plants. Up to the time when the disease first was noted, Mexico customarily exported about half a million head of beef cattle on the hoof for fattening and slaughter in the southern and mid-western parts of the United States. The closing of the United States frontier in 1947 resulted in the accumulation of a surplus of 800,000 head of feeders in northern Mexico, and large numbers from these herds have been diverted to packing-plants, particularly in the gulf port of Tampico. Mexican canned beef was included in ERP shipments to Europe during 1948, and it is obvious that this country will wish to continue exporting in the future.

The process of restocking could have been started in the fall of 1948, when large areas in northern and southern Mexico were declared completely free of hoof-and-mouth disease, and the movement of livestock in the infected central zone was under control to the extent that animals could be imported, either from the uninfected zones or from abroad. Devaluation of the peso, in July 1948, drastically affected the plans of farmers and breeders to begin purchasing abroad.

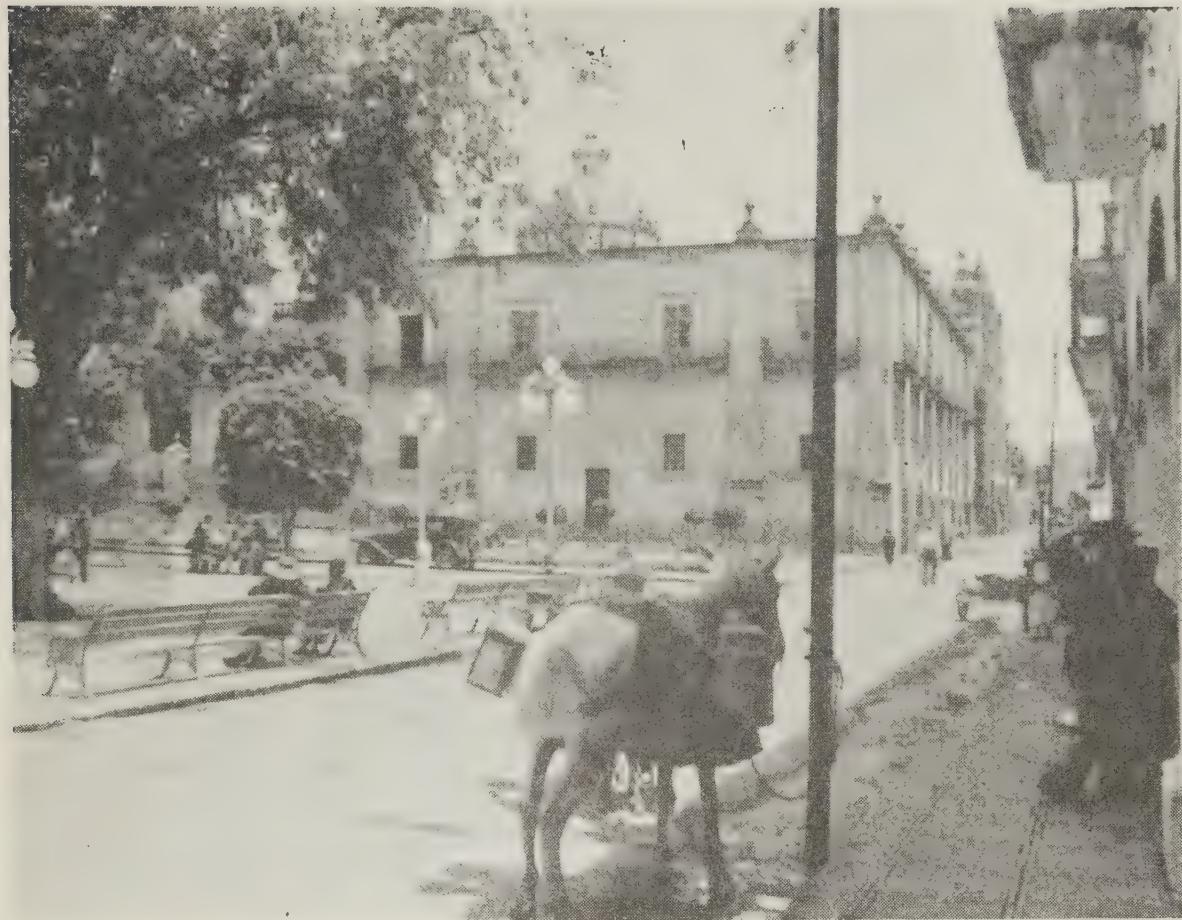
Canada's Ability to Supply Cattle Recognized

Canada's ability to supply a large part of new herds, mostly milk cattle and breeding stock, is recognized. Canadian cattle are well regarded in Mexico, for their price and quality alike. During 1945 and 1946, a total of 156 head of dairy cattle, valued at U.S.\$28,770, and 1,591 head of purebred cattle, valued at U.S.\$242,280, was imported from Canada. Mexican imports from all countries during the next three years should exceed the levels reached in 1935 and 1936. During those two years, 13,311 steers, 3,075 head of breeding stock and 12,818 feeders were purchased abroad.

The emphasis will now be on milk cattle to meet the needs of growing urban populations and also because milk cattle have been the most seriously affected by hoof-and-mouth disease.

Mexico does not appear to have developed any marked preference among cattle breeds. The Holstein, Jersey, Guernsey and Shorthorn are most common among milk cows, in that order. For slaughter, Holstein and Creoles, the latter a domestic cross-breed, have been preferred. It is considered that Jerseys are better able to withstand conditions in the low-lying tropical zones. However, little or no progress has been made in the search for cross-bred milk or beef cattle adapted to Mexican climatic and feeding conditions. A plan for the establishment of breeding stations has not been developed. In the hot area, toward the Guatemalan frontier, Cebu bulls are commonly used for breeding, although they have been prohibited entry into the country since the first outbreak of hoof-and-mouth disease.

Mexico's normal cattle population of about 12 million head constitutes 70 per cent of the total value of the country's livestock. Before



Street scene in Mexico City's suburban area.

hoof-and-mouth disease broke out, a census of cattle showed 270,000 bulls, 1,900,000 young bulls, 198,000 pedigree bulls, 3,400,000 cows and 381,000 pedigreed cows, apart from calves, steers and work cattle.

All cattle imported into Mexico must be vaccinated against infectious abortions when young and against haemorrhagic septicaemia. They must also be inoculated with tuberculin and, on arrival in Mexico, vaccinated against carbon fever. The main problem facing breeders is the weakness of cattle against the tick, which has been known to cause cases of piroplasmosis to develop within twelve days of cattle entering infested areas.

Feedstuffs required by cattle-raisers are not produced extensively in Mexico, but alfalfa grows luxuriously on irrigated land, and seven or eight cuttings may be obtained annually. Mexican feed is considerably rougher than Canadian. It has been found that Canadian animals must be fed in Mexico approximately 15 per cent more than the amount prescribed in the Morrisson tables.

As has been noted, the devaluation of the Mexican currency from 4·85 to the United States dollar to an unfixed rate of 6·85 pesos at the beginning of 1949 ruined many farmers' and breeders' plans to make purchases of livestock, cattle particularly, abroad. Despite this severe financial handicap, Mexico will have to replenish herds and, when buying is considered possible, Canada should not be overlooked as a source of supply. It is noteworthy that breeders on the whole prefer to bring new animals in by air rather than risk their debilitation on long and complicated journeys by sea or railroad.

Mineral Resources

LEAD, zinc and silver, respectively, are Mexico's leading export items. Fifteen per cent of all exports is accounted for by lead, and the three metals together make up about 35 per cent of national exports. Mining expanded greatly during the war years, but in the postwar period there has been a decrease in the production of precious and industrial metals, due to increased wage scales, higher transportation costs and heavy taxation. Over 90 per cent of the metals exported are sold in the United States.

Gold and silver have been mined continuously in Mexico since the days of the Spanish conquerors, and many of the old mines are almost depleted. In view of high operating costs, many of the com-

Gold and silver have been mined continuously in Mexico since and consequently there is a dearth of new discoveries necessary for the future well-being of the industry. For many years a considerable amount of the capital invested in Mexican mines has been of foreign origin, principally British and American, and foreign engineers have played a prominent part in the industry. It is estimated that there are now between 30,000 and 40,000 persons employed in various types of mining, and the present situation is regarded with some apprehension. The 15 per cent export tax announced in October, 1948, affecting all Mexican products, including metals, brought such further protests from the mining industry that concessions have since been made which neutralize the effects of this additional burden.

The Department of National Economy in its *Memoria*, published in August, 1948, included a review of the mineral situation of the country, and its overall conclusion concerning the future prospects of the mining industry is not an optimistic one, as it considers that present reserves are inadequate to maintain the current rate of production. However, in the past few years there have been many rumours that the mines might be expropriated as were the oil wells, and this has possibly had a restraining effect on large expenditures for exploration. Specific statements in the *Memoria* concerning the principal metals are summarized as follows:

Gold.—Production figures for both 1946 and 1947 are down from the war years, due to the gradual depletion of good ore bodies and the lack of new development to maintain the former levels of output.

Silver.—Production reached its maximum in 1943 and then decreased to the 1946 figures shown in the table below. However, there was a small upturn in 1947, but it is estimated that 1948 figures will not be as great as those for that year.

Copper.—Production has held up, and since 1947 has shown an annual increase, with the exception of 1944, and it is estimated that 1948 production will be even larger than in 1947. The increase in copper production is to some extent due to the exploitation of low-grade ore, which is now profitable because of the increase in world prices for this metal.

Lead.—While production increased considerably over the 1946 figure, this is not considered to be a permanent trend, and mining men predict a decline in 1948 and subsequent years unless new mines are developed.

Zinc.—Since 1940, production has held up well except in 1946, and 1947 production was considered quite satisfactory. However, the zinc mines are gradually being depleted, and it is considered unlikely that the 1947 figures will be maintained in 1948 or subsequent years unless additional ore bodies are discovered.

In addition to gold, silver, copper, lead, and zinc, antimony, cadmium and manganese are also mined to some extent. High-grade iron ore and coal suitable for steel production are produced on a sufficiently large scale to support two good-sized smelters in the country.

MEXICAN METAL PRODUCTION

	1946		1947	
	Kilograms	Pesos	Kilograms	Pesos
Gold	13,079	70,773,025	14,455	78,117,395
Silver	1,345,634	170,229,018	1,830,249	208,189,917
Copper	61,053,160	94,596,856	63,492,002	145,812,034
Lead	140,143,274	114,773,514	223,134,964	345,134,841
Zinc	139,535,164	133,266,057	195,814,073	230,919,761
Antimony	6,571,590	10,503,778	6,925,710	23,249,679
Arsenic	9,648,532	4,633,164	9,686,345	6,180,239
Bismuth	76,139	1,094,701	255,067	5,264,543
Cadmium	717,188	8,628,483	778,875	14,555,800
Coal	977,874,100	20,535,327	1,040,359,856	21,847,564
Tin	266,866	1,501,933	173,562	1,428,339
Graphite	21,949,365	2,633,922	27,983,777	3,515,552
Iron	170,775,979	7,667,523	226,064,114	11,303,205
Manganese	11,341,855	4,637,982	14,182,438	4,627,724
Mercury	402,011	5,812,440	333,819	4,131,573
Molibdenum	1,363,510	6,564,397	226,914	1,093,727
Tungsten	45,336	582,125	46,131	713,849
Totals	1,543,122,782	658,434,245	1,811,302,351	1,106,085,742

MEXICAN EXPORTS OF METAL

	1946		1947	
	Kilograms	Pesos	Kilograms	Pesos
Gold	2,070	11,074,124	2,342	12,656,535
Silver	1,149,476	147,752,425	1,381,477	159,337,245
Copper	49,549,299	73,913,685	53,256,081	122,416,196
Lead	167,858,398	135,846,536	187,369,866	288,870,648
Zinc	130,199,517	90,960,465	187,635,575	221,272,948
Antimony	5,906,463	7,022,028	6,060,383	20,296,245
Graphite	21,949,365	2,121,176	27,983,777	3,515,552
Mercury	400,497	5,602,187	332,894	4,120,214
Arsenic	9,358,712	4,096,153	9,125,153	5,822,808
Cadmium	717,188	8,585,242	753,294	14,062,483
Tin	72,110	346,526	40,876	350,307
Tungsten	45,336	471,869	46,131	713,849
Molibdenum	1,360,494	6,222,195	221,033	1,065,376
Iron	2,744,958	123,141	31,445,355	1,572,269
Manganese	11,341,855	3,164,117	14,182,443	4,627,724
Totals	402,655,738	497,301,869	519,836,680	860,700,399

Petroleum Resources Operated by Government Body

In 1921 Mexico's oil production reached its peak output of 193,000,000 barrels, or more than 25 per cent of total world production. During the next decade, production declined consistently, and in 1931 amounted to only 33,000,000 barrels, or about 2·5 per cent of world output, which by that time had increased considerably. The chief oilfields are in the area surrounding Tampico and in the Gulf of Mexico district.

In 1934 a semi-official organization, known as Petromex, S.A., was established for the purpose of developing the national reserve oilfields in accordance with the Six-Year-Plan already referred to elsewhere in this report, but in 1937, when the functions of Petromex were taken over by the government agency "Administracion General del Petroleo Nacional" (AGPM), the production of these oilfields accounted for only 3.5 per cent of the total, while some 95 per cent came from foreign-controlled companies.

General Strike of Petroleum Workers in 1937

Serious labour difficulties were experienced in 1937, culminating in a general strike, led by the Syndicate of Petroleum Workers, in an attempt to obtain increased wages, improved social benefits, etc. In the following year the Supreme Court confirmed the award of the Federal Labour Board. The British, Dutch and American oil companies, which had previously contested the case with vigour, expressed their

Petroleum refinery at Atzcapotzalco.



inability to comply, and on March 18 their properties were expropriated. Diplomatic relations between the British and Mexican governments were severed as a consequence and were not renewed until October, 1941.

Petroleum Production Under Government Control

Under decrees signed in July, 1938, two organizations—Petroleos Mexicanos (“Pemex”), and Distribuidora de Petroleos Mexicanos—were established to take charge of the operation of the expropriated wells and to arrange for the distribution and sale of the whole of the nation's petroleum production. Of the nine members of the Administrative Board of Pemex, three were appointed by the Syndicate of Petroleum workers, and in 1939 this number was increased to four. Through the operations of these organizations and the AGPM, previously referred to, the Government acquired a direct interest in the country's oil production. In August, 1940, a decree was signed under which both Distribuidora de Petroleos Mexicanos and the AGPM were eliminated, and their operations were placed under the control of Petroleos Mexicanos.

In 1942, by the Zevada-Cook Agreement, the Mexican Government agreed to pay the American companies whose properties and equipment had been expropriated, the sum of \$23,995,991, plus 3 per cent interest, over a period of five years. This debt has now been fully paid. It was not until 1947, however, that a settlement agreement was reached with the British-Dutch interests by which the Mexican Government has agreed to pay U.S.\$81,250,000, plus interest at 3 per cent, in fifteen annual instalments of \$8,689,275.85. The first two instalments, due in September of 1947 and 1948, respectively, were paid in full.

Four Oilfields Account for Bulk of Production

The four oilfields from which most of Mexico's petroleum is obtained were discovered and well developed before the expropriation. While there have since been further developments in these fields, no new discoveries, with two minor exceptions, have been made. There are presently in operation 17 plants and 13 refineries, employing 22,000 men, and 900 wells are in production. Refining capacity is about 200,000 barrels per day, and Mexican refineries handle about 90 per cent of total output.

MEXICAN PRODUCTION OF PETROLEUM

	Barrels
1937	48,805,000
1938	38,467,000
1939	42,890,000
1940	44,036,000
1941	43,054,000
1942	34,815,000
1943	35,163,000
1944	38,203,000
1945	43,547,000
1946	49,235,000
1947	56,284,000
1948 (estimated)	57,500,000

PETROLEUM PRODUCTION, BY FIELDS

Field	District	1947 Barrels	1948 Barrels
Panuco	Tampico	10,062,000	10,000,000
Golden Lane	Tampico	7,840,000	7,600,000
Poza Rica	Veracruz	31,951,000	34,100,000
Isthmus	Tehuantepec	6,431,000	5,800,000
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Totals		56,284,000	57,500,000

Based on statistics furnished by the Secretariat of National Economy and by Petroleos Mexicanos, the following table shows the volume and value of Mexico's exports of petroleum:

MEXICAN EXPORTS OF PETROLEUM

	Barrels	\$ Canadian
1943	5,584,000	6,123,000
1944	4,890,000	6,256,000
1945	8,154,000	8,219,000
1946	9,700,000	13,171,000
1947	14,000,000	24,989,700

Notwithstanding the foregoing export figures, imports from the United States are approximately 5,000,000 barrels a year, most of which are lubricants and aviation gasoline for all Mexico, plus refined and semi-refined products for the northern and northwestern sections situated close to the American border. The urgency of locating more wells to meet the increasing demand is well recognized and, in recent months, Pemex has held discussions with powerful American interests concerning the possibility of American capital being made available to this end. To date, one contract has been negotiated whereby an American company is empowered to carry out drilling operations.

Development Program in Progress

In March, 1948, the Director of Pemex issued a detailed report on progress and plans for future development, the highlights of which were:

- (a) Reserves have grown from 835 million barrels in 1938 to 1,058 million barrels in 1947.
- (b) Since the expropriation, 305 wells have been drilled, 64 in 1947.
- (c) Test wells, of which 27 are presently being drilled, will be increased by 53 during 1948.
- (d) Taxes paid by Pemex have increased from 54,700,000 pesos in 1938 to 213,400,000 pesos in 1947.
- (e) Pipe-line capacity has increased from 200,000 barrels daily in 1938 to 321,500 in 1948.
- (f) Completion of the Mexico City—Poza Rica gas line to be completed.
- (g) A 30,000-barrel refinery at Salamanca and a 45,000-k.w. thermo-electric plant to be constructed.

According to the director, all funds necessary for projected development are available from the company's own resources.

Forest Products

OF the total area of Mexico, 28,855,537 hectares, or 13·16 per cent, is forest and woodland. The production of wood and wood products is low, considering the resources of the country. However, lumber operations are handicapped severely by the scarcity of logging equipment and transportation, especially in the heavily wooded areas of the west and northwest.

Mexican woods are divided, roughly, into three kinds: tropical hardwood, sub-tropical woods, and conifers in the Sierra Mountains. According to the latest available figures, total number of trees in Mexico is 3,375,417,935, comprised of: Precious woods, 78,807,325; hardwoods, 1,205,431,050; and softwoods 2,091,179,560. The Ministry of Agriculture, under the provisions of a law of June 20, 1944, declared various areas to be forestry reserves, protected zones and national and international parks. A national campaign for reforestation, which has been intensified during the past five or six years, is marked by an official "Dia del Arbol" (Day of the Tree) each March 15, when there are ceremonial plantings in all the larger cities of the Republic.

Reforestation Measures Planned

In the interest of reforestation and the conservation of existing resources, the Government has also organized 3,460 groups of farmers to prevent and to fight forest fires and has promised the co-operation of the army.

A decree also has been published to the effect that no wood may be used for heating water in the Federal District, and it is reported that this measure resulted in consumption of carbon being reduced from 13,000 tons to 9,000 tons a month in the capital. New laws aimed at the conservation of trees have been enforced rigourously, with many resultant fines. Industrialists, particularly those engaged in the production of paper in the State of Mexico, have been required to plant seedlings to replace the trees cut down for use in their mills.

Timber Exports Limited by Permits

In the area of Quintana Roo, in the southern part of Mexico, are vast stands of high-grade mahogany, but the export of this valuable wood is limited, due to the difficulty in obtaining export permits, since the Mexican Government prefers to have this wood processed into consumer goods within the country. Similarly, the export of other timbers, many of which are plentiful, is being closely regulated, and exports of pine in recent years have been limited to those from four states. It is estimated that there are approximately 1,000 sawmills in the Republic, most of which are small and co-operatively owned. Many of these are not operating at present, because, in addition to obtaining export permits, operators must purchase cutting permits and pay heavy export duties on any shipments permitted to leave the country. During 1947, a total of 2,100,000 cubic feet of lumber and logs was produced, of which 250,000 feet, or approximately 8 per cent, valued at 24,757,458 pesos, was exported. Exports to both the United States and Europe are considerably higher than during or before the

war (e.g., exports of lumber and logs in 1940 and 1944 were valued at 2,242,407 pesos and 10,969,164 pesos respectively), but trade will continue low in proportion to the resources of the country so long as the present difficulties remain.

Output of Pulp Increasing

The pulp and paper industry in Mexico recorded a decided upswing in 1947 and 1948, and production figures are expected to surpass even those of the previous year. Production of all types of pulp from 1946 to 1948 was as follows, according to figures submitted by the Mexican pulp mills:

MEXICAN PULP PRODUCTION

	1946 Figures in Metric Tons	1947	*1948
Mechanical pulp	15,189	18,137	17,934
Sulphite, unbleached	4,621	4,116	4,600
Sulphate, unbleached	7,200	28,855	42,750
Total	27,010	51,108	65,284

* Estimated

Since 1946 several new pulp mills have come into operation, and most of the older mills have increased their production facilities. With the 1947 domestic production almost double that of 1946, the imports of pulp of all kinds dropped from 22,300 tons in 1946 to 16,900 tons in 1947, and during the latter year about 7,000 tons of unbleached pulp, for the first time, were exported, going to the United States. The increased import duties imposed on pulp in December, 1947, are acting as a further stimulus to the domestic industry, and imports in 1948 are expected to be less than those in 1947.

Newsprint Imports Heavy

All newsprint required by Mexico is imported, purchases in 1946 and 1947 being approximately 55,130 metric tons and 54,624 metric tons respectively. Estimates for 1948 are about 55,000 tons. Canada supplies approximately 80 per cent of this newsprint, most of the remainder coming from the United States.

In the latter half of 1947 the duties on most types of paper and paperboard were increased, and this has given a considerable impetus to production within the country.

MEXICAN PAPER AND PAPERBOARD PRODUCTION

Item	1937	1946	1947	*1948
Printing paper ...	10,906	18,170	13,345	19,370
Writing and other fine papers	9,148	10,309	14,814	12,502
Coarse papers, including wrapping	20,131	33,599	34,914	50,040
Tissue	2,500	3,000	3,095	4,371
Other	1,899	2,661	4,534	2,500
Total	44,584	67,739	70,702	88,783
Paperboard	10,461	27,704	35,026	47,600
Total paper and paperboard	55,045	95,443	105,728	136,383

* Estimated



Paseo de la Reforma, Mexico City, where the office of the Commercial Counsellor for Canada is located.

In July, 1947, a presidential decree banned the importation of kraft rolls and paper and kraft container board in rolls, in an effort to conserve foreign exchange. Since that time the local mills have been supplying domestic requirements for this product and, in addition, exported 250 tons of kraft paper and 1,700 tons of kraft container board in 1947. However, local facilities cannot adequately meet the demand, and the United States continues to be the chief foreign source of supply for vegetable parchment, tissue, glassine, grease-proof and waxed papers, and embossed and glazed paper specialties.

Production of Writing Papers Increased

Bond paper is much more widely used in Mexico than other types of writing papers. Copy paper for correspondence is customarily domestic manifold, and the domestic mimeograph paper is used for circulars and similar purposes. However, for such items as price lists, for which a strong and durable type is needed, imported mimeograph paper is favoured.

Domestic production of all types of writing paper has increased by about 50 per cent during the past nine years, but there is no possibility that the country will become self-sufficient in the production of fine papers unless new technical methods of manufacture are adopted. The domestic product is of very ordinary quality, and the constantly increasing demand is naturally resulting in the sacrifice of quality for quantity.

Electrical Development

DEVELOPMENT and expansion of additional electric power facilities is one of the prime needs of Mexico. As of January, 1944, there were 1,208 power plants in the Republic, with a rated capacity of 680,000 kilowatts. These, with additions since that time, are far from sufficient to meet the requirements of the country. At present, power consumption in Mexico far exceeds production but, until 1910, privately owned plants were adequate for the demand. There followed years of revolutionary turmoil, when expansion was impossible. Beginning in the 1920's, the social and political attitude of the Government towards privately owned utilities, the cutting of power rates, rising costs and the fall in exchange all made it financially difficult for power companies to expand and fulfil their legitimate functions.

Mexican Federal and Electricity Commission Established

Resulting from the reluctance of private companies to expand, and also because of the strong nationalistic attitude of the Mexican Government, there was created in 1937 the Federal Electricity Commission. This government organization was established as an agency for building and managing publicly owned systems of generation and distribution of electrical energy throughout the country. Since then, most of the new developments have been undertaken by the commission because, until recently the attitude of the Government and financial conditions have prevented the private utilities from expanding to meet increased demands in their respective districts.

Beginning about three years ago, however, the public attitude towards the private utilities became more co-operative; sorely needed rate increases were granted, laws and regulations were modified, and it became possible for the utilities to undertake the plant expansions that were so urgently required. Since then, the private companies have made major extensions which in a measure alleviate the power shortages in their areas. Nevertheless, by far the greater number of extensions since 1937 have been made by the commission, and more are planned for the future.

It is the present stated policy of the Government to wholesale its electric energy to the private utilities where possible. This should entail no conflict of interest. But construction of large power plants at high cost in the territories served by the private companies will affect them adversely.

Construction of the Petroleos Mexicanos 45,000-kilowatt public-service station at Salamanca (mentioned below) is of particular concern to the American and Foreign Power Company. This will be in the heart of the power company's territory, where new stations having a capacity of 75,000 kilowatts are already under construction. It is probable that the company will be required to purchase power from Petroleos Mexicanos (the national petroleum monopoly) in territory which will be already over-supplied with energy from existing and new stations now building.

Federal Electricity Commission Program

The commission now has the following plants, with related transmission systems, in operation:

COMMISSION PLANTS IN OPERATION		
Type of plant		Installed Kilowatts
16 hydro-electric plants		63,345
29 diesel-electric plants		14,823
2 steam plants		37,000
<hr/>		
47	Total generating capacity	115,168

The Commission's five-year-plan, in addition to the above-mentioned plants, includes the proposed construction of the following generating stations and related transmission and distributing systems:

FUTURE COMMISSION PROJECTS		
Project	Installed Capacity Kilowatts	Transmission System Capacity Kilowatts
17 hydro-electric plants	654,000	<hr/>
9 steam and internal combustion plants	198,000	<hr/>
100 small plants	7,000	<hr/>
12 transmission systems	<hr/>	675,000
6 distribution groups	<hr/>	5,000
15 hydro-electric stations (for Ministry of Hydraulic Resources)	167,000	<hr/>
1 steam plant for Pemex	45,000	<hr/>
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Total generating capacity ..	1,071,000	

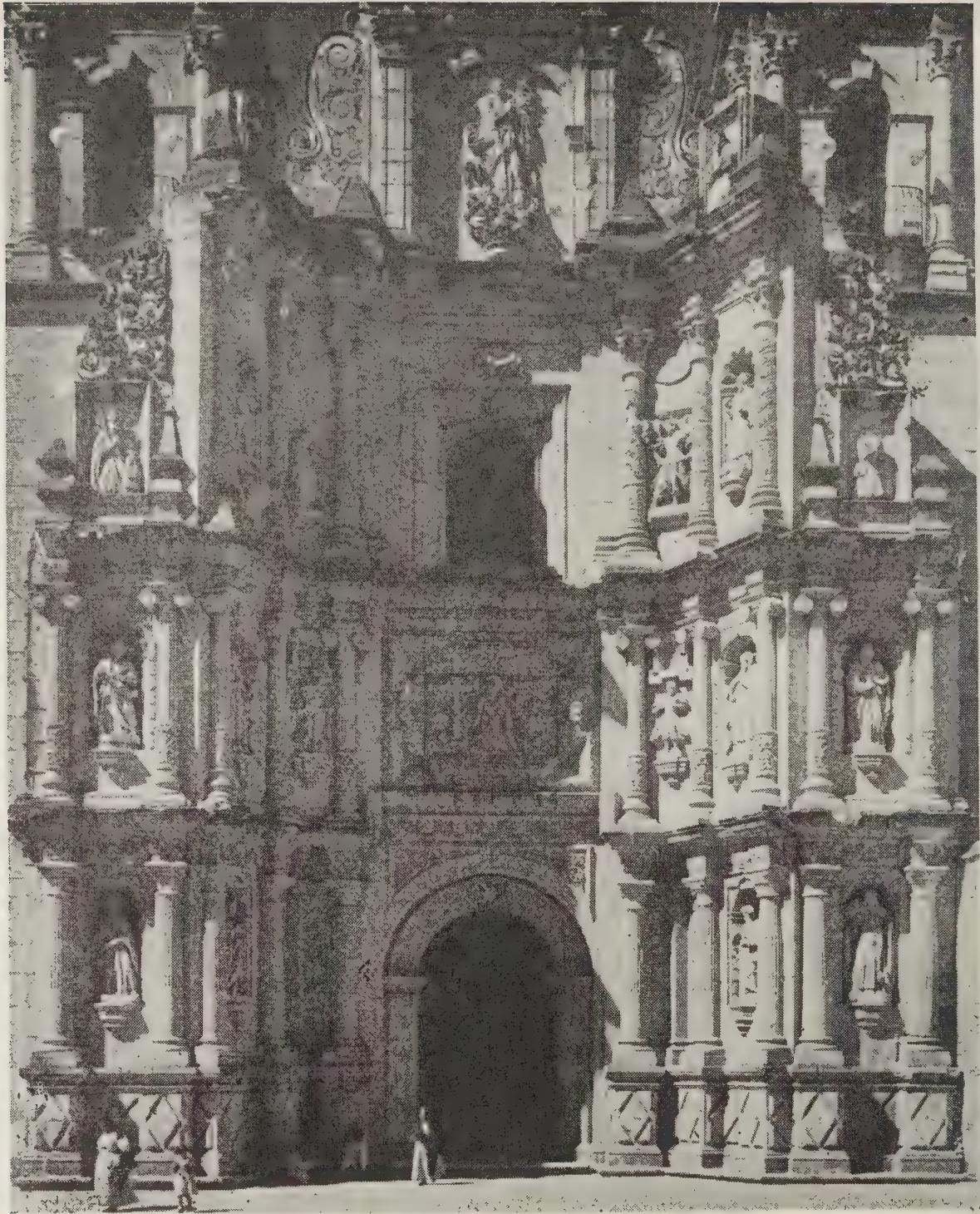
The two largest private utilities systems and one of the smaller systems have plans for major expansions which are apparently dependent on foreign financing to be guaranteed by the Mexican Government. New power development, expected to be partly financed by foreign credits, will total 1,216,000 kilowatts, of which 1,000,000 kilowatts will be supplied by the Federal Electricity Commission, the Ministry of Hydraulic Resources and Petroleos Mexicanos.

Large Credits Granted by World Reconstruction Bank

The granting of credits totalling \$34,100,000 to the electrical industry, in January, 1949, was therefore one of the most important events in Mexico's drive towards industrialization.

The World Reconstruction Bank announced approval of the credits from Washington, D.C. on January 6. A total of \$10 million was made available for the purchase of equipment and materials by the Canadian-registered Mexican Light and Power Company. The remainder will be used by the Federal Electricity Commission, which is to import equipment for thermo- and hydro-electric plants, transformer lines and distribution systems, and will spend about \$4 million on material that is being manufactured in Mexico.

Mexico is the second Latin American country to receive credits from the World Bank; Chile received \$16 million in March, 1948, for electrification and agricultural development.



Principal gate of the temple at Oaxaca.

Credits to the Mexican Light and Power Company were granted indirectly in the form of a re-loan from the Nacional Financiera, a government-controlled financing corporation. According to Minister of Finance Ramon Beteta, the company will be reorganized financially during 1949. If these changes are effected satisfactorily, the World Bank will consider granting a long-term credit to the company, presumably for a larger amount than the \$10 million now involved.

The Federal Commission's \$24,100,000 and the smaller credit made available to the Light and Power Company will be subject to payment of interest at the rate of $4\frac{1}{2}$ per cent, including a commission charge of 1 per cent annually, to be placed in a special reserve established by the World Bank at the time of its founding.

Manufactures and Construction

THE Ley de Industrias de Transformación (Law of Processing Industries), which was passed in 1939 to encourage investment, particularly from abroad, has been the basis of Mexico's rapid industrial expansion during and since the war. By the end of 1944, some 400 million pesos were invested in new processing plants, and an average of about 70 million pesos was being invested annually at the beginning of 1949.

The effect of industrialization on employment and national income has been heightened by the availability of oil for domestic consumption, since foreign holdings were expropriated by the Cardenas Government in 1938.

During the first six months of 1948, 239 manufacturing companies were registered in Mexico City, with total capital of 29 million pesos. The bulk of investment was in six mining companies, ten food-packing plants, 25 cotton and rayon textile factories, 34 pharmaceutical laboratories and chemical plants, and oil and fat extraction plants. These figures for the first half of 1948 compared with 37 million pesos invested in 273 new processing plants during the same period of 1947. Investment declined in 1948 in metals, cotton textiles, chemicals and fats, and increased in rayon manufacture and food, chiefly meatpacking. At the beginning of 1949, applications were pending for the establishment of 50 more plants in the vicinity of the capital city, with a combined investment of 65 million pesos, of which 23.8 millions were earmarked for meat greezing and packing and 20.1 millions for the processing and canning of meat products.

Investment of Foreign Capital Envisaged

New methods to encourage investment from abroad have been evolved as the inflow of captial and capital goods has increased. Generally speaking, new industrial plants are able to obtain exemption from taxes and to import materials and manufacturing equipment free of duty. These considerations, plus cheaper labor costs, have made Mexico a centre for export to the rest of Latin America. The process of industrialization has been hastened by the imposition of heavy import duties on finished products.

Progressive Mexican industrialists favor the policy of joint investment in manufacturing industries because it supplies funds for badly needed domestic development for which local capital is not available in sufficient quantity. Labour unions also approve the system because it leaves a certain measure of company and financial control in native hands while fostering the growth of an organizable proletariat.

This view of foreign investment naturally has been contested by the Bank of Mexico's Department of Economic Studies, among a number of influential groups. The official daily newspaper *El Nacional* has published reports of interviews with bank officials in which the term "feudalization" has been used rather than industrialization. Large amounts of new capital stated to have been invested

in Mexican industry do not show in the reserves of the bank, these critics contend. The allegation is made that new factories are proving to be no more than assembly plants of the type already established by General Motors, International Harvester and others.

Particulars concerning company organization in Mexico and the documents required for the incorporation of foreign companies have been supplied in detail by the Commercial Counsellor for Canada in Mexico City. Information of this nature may be obtained on application to the Latin American Section of the Foreign Trade Service, Department of Trade and Commerce, Ottawa, quoting file No. 23597.

Iron and Steel Production Short of Requirements

Ingot production in Mexico is sufficient only for 60 to 70 per cent of the country's requirements, and large quantities of steel are therefore imported, principally from the United States. This shortage is apparently due to the fact that, although substantial deposits of high-grade iron ore and coking coal are available, mining of the latter is not sufficiently developed to ensure sufficient production of iron.

MEXICAN INGOT PRODUCTION AND STEEL CONSUMPTION

	Ingot Production Metric Tons	Steel Consumption Metric Tons
1938	163,000	195,000
1940	170,000	237,000
1943	186,000	260,000
1947	273,000	390,000

Overall iron and steel production is centered in three plants: the Fundidora de Fierro y Acero of Monterrey; Altos Hornos de Mexico, of Monclova, State of Coahuila; and La Consolidada, in Mexico City.

Fundidora de Fierro y Acero employs about 4,000 men and accounts for half national production. A blast furnace that was blown in July, 1943, increased the daily capacity of the plant by 500 tons of pig iron, its ten-million dollar cost being covered by an increase in capital. The smelter produces commercial and structural steel to the amount of 30,000 to 40,000 tons and 30,000 tons in ingots. In 1947, the output of finished products was 105,000 tons valued at 75 million pesos.

Altos Hornos, S.A., with a capital of more than 50 million pesos, employs 2,600 workers. The plant comprises a blast furnace, three Siemens open-hearth furnaces and a rolling-mill, the furnace having been blown early in 1944. Pig-iron capacity is 300 tons daily, which is used for hot and cold-rolled steel and black plates and for the manufacture of tin-plate. The total output of rolled products is slightly more than 100,000 tons per annum. The Mexican Government, through its investment corporation Nacional Financiera, holds the controlling share of the stock. Technical assistance in the erection of the rolling mill was given by the Rolling Mill Company of the United States and, under an agreement made in August 1942, the Export-Import Bank undertook to extend credits up to \$6 million for equipment. About 70,000 tons of sundry articles are turned out by the plant each year.

La Consolidada employs more than 1,500 men. Its old plant turns out from 30,000 to 40,000 tons annually of commercial rolled steel and commercial steel. A newly installed plant has capacity for 100,000 tons per annum, but production is limited by the available supplies of scrap.

In addition to these three main plants, there are thirteen steel-plating plants in operation in Mexico, producing 90,000 tons annually at full capacity.

Since many of the foundries' raw materials are imported from the United States, production costs have increased further since devaluation of the national currency in July, 1948. Supplies of scrap or raw steel are usually scarce, and it is likely that Mexican steel mills will always be high-cost producers, unable to compete without the assistance of high protective tariffs when steel becomes more plentiful in world markets.

Textile Industry Third in National Importance

The textile industry, as a whole, ranks third among Mexican industries, being exceeded only by metal mining and oil production. It is estimated that it employs, directly or indirectly, one person in every five of the country's population. However, despite abundant domestic supplies of raw cotton and the rapid growth of the cotton textile industry, which was made possible by world-wide shortages during the war, about 25 million pesos worth of the better grade of cotton textiles are still being imported annually. Whether this trade can be captured by the domestic cotton textile industry apparently depends almost entirely on the rapidity with which mills can be modernized, rising production costs halted, and production diverted, to some extent at least, from the cheap types of cloth which at present form the bulk of national production and are exported in some quantity. There are at present a substantial number of new mills under construction, which seems indicative of the determination to keep the industry in its present prominent place in the nation's economy.

Mills Affected by High Costs

The official price of cotton in November, 1947, was 143 pesos per hundred pounds, and by September, 1948, it had advanced to 195 pesos, an increase of 40 per cent in ten months. Wages, too, have soared, and one mill that in 1946 paid staff wages of 55 million pesos per annum is now paying at the rate of 200 pesos. There is still much hand labour used in Mexican mills, and labour costs rank high in overhead, as is indicated by the fact that, on an average, one man is needed to attend to four of the old-fashioned looms, commonly used, as compared with 32 modern automatic looms that one man can supervise in a plant in Canada. Machinery, dies, spare parts and accessories are practically all bought abroad and, since the devaluation of the peso in July, 1948, these now cost approximately 40 per cent more.

Devaluation of Peso Improves Export Possibilities

Mexico's exports of cotton textiles boomed during the war, but the trade which has been retained since 1946 is mainly in cheap fabrics such as calico. The market abroad now is confined largely to South America and South Africa, where the demand is for cheaper lines. Canada and the United States have participated in relatively little of this trade, although the devaluation of the peso in July, 1948, has been a definite stimulus, and purchases by Canadian and American buyers are expanding.

Quality of Domestic Woollen Cloth Improves

The quality of Mexican woollen cloth improved during the war and, since 1946, sales have been in fair volume on the domestic market, although the British product is still of superior quality and is preferred in many quarters. Exports of Mexican woollens have never been substantial and, with increased supplies available from British mills in the world markets, foreign sales fell off heavily in 1947 and 1948.

Paint Industry Provides Low-Priced Products

The manufacture of paints in Mexico dates back to the end of the 19th century, but it was not until the termination of World War I that technical improvements in the paint industry gave the necessary impetus for Mexican firms to undertake large-scale production. Most of the plants then in operation endeavoured to compete with imported products but, as they were not adequately equipped, their efforts did not meet with any great measure of success. Later, however, locally manufactured paints found an expanding market in the low-priced field, and this situation remains unchanged. Due to World War II and the consequent shortage of supplies, local industry has received a considerable impetus, the fruits of which it is still enjoying.

The following table is indicative of the growth of the Mexican paint industry from 1930 to 1945; no later statistics are available:

STATISTICS OF PAINT PRODUCTION

	1930	1935	1940	1945
Number of establishments	26	22	31	52
Capital investment Pesos	861,004	873,435	1,961,806	4,421,394
Raw materials consumed..... Pesos	828,475	1,097,200	3,310,631	n.a.
Production Pesos	1,356,800	1,961,997	5,185,426	10,878,167
Personnel—				
Total	320	365	619	701
Directors	43	31	44	67
Employees	34	60	117	136
Workers	243	74	458	498
Wages and salaries Pesos	179,458	293,288	796,778	1,578,400

As in the case of many other types of imported goods, the United States has consistently been the principal source of supply. Mexican paints, lacquers and varnishes are cheaper than imported products but are not suitable for high-grade work.

New Regulations Affect Foreign Trade in Paint

By a decree published in the *Official Gazette*, under date February 10, 1948, new regulations became effective covering the foreign trade in paint. The entry of paint and varnishes is permitted provided there is no domestic production of these items. On the other hand, the export of paint products will be permitted if there are no buyers in Mexico for them or the Treasury Department considers that the domestic requirements have been met. By these measures the Government proposes to achieve self-sufficiency in the paint industry by periodic reviews of conditions of supply and demand, with the assistance of a specialized office which will grant permits to function in this field.

Building Increases in Mexico City

There is perhaps no other city in Latin America where new building construction is under way at such a high tempo as in the capital of Mexico. The rise in building construction in the Federal District since 1939 is as follows: In 1939 there were 157,342 buildings and houses. In 1940 a total of 3,290 more were constructed at a cost of 57,065,000 pesos. In 1941 there were 3,894 new buildings erected; in 1942, 4,466; in 1943, 4,549; in 1944, 9,666; in 1945, 9,971; in 1946, 7,375; and in 1947, 6,533.

As these figures show, the number of new buildings in 1946 and 1947 was considerably below the 1944 and 1945 levels, but the amount of money spent—191,910,951 pesos in 1946 and 249,023,964 pesos in 1947—was comparable with expenditures in 1944 and 1945. Making appropriate allowance for increased building costs, it would appear that the quality and size of the buildings in the latter two years were superior to those of 1944 and 1945.

Program of Public Works Planned

The program for 1948 and subsequent years included additions to existing water-supply systems, the extension of flood-control works and the establishment of various irrigation projects. Additional school buildings, hospitals and other public buildings are also to be constructed, and playground and recreation facilities are to be considerably improved. Among the important semi-public projects in the capital is University City, construction of which has not yet begun. The projected campus and buildings of the National University of Mexico are expected to attract students from all over the world.

Rate of Construction Not Diminished Despite High Costs

The rapid rate of construction in the Federal District has not diminished despite the high prices of materials, and the change from old Spanish colonial buildings to new skyscrapers, modern apartment buildings, and department stores has been so rapid in the past few years that the physical appearance of the city, especially in the principal business sections, is scarcely recognizable to those returning after an absence of several years.

Transportation

IN November, 1948, it was announced that the National Railways of Mexico (government owned), whose 23,000 kilometers of track comprise 60 per cent of the mileage in the country, was bankrupt. Shortly thereafter, a Bill was approved by the House of Deputies providing for a new system of administration to be based on an administrative council of eight members, with technical advisers, to which the office of the General Manager of the National Railroads will henceforth be subordinate. This council will meet every fifteen days, and its overall responsibilities include general administration, the railroad budget, determination of the percentage of gross receipts to be spent on operating the system, passenger and freight tariffs and all new railroad construction and extraordinary repair work.

Overhead High in Comparison with Canadian Railways

In comparison with the overhead of Canadian railways, that of the National Railways of Mexico is very high, three of the chief reasons being: (a) outmoded equipment, not economical to operate; (b) too many employees for the size of the system, the monthly payroll amounting to 82 per cent of the gross revenues; (c) shortage of freight cars and the necessity of renting several thousand monthly from the United States at high rates.

As indicated in the following table, there has been a rapidly growing discrepancy between revenue and expenditure in latter years:

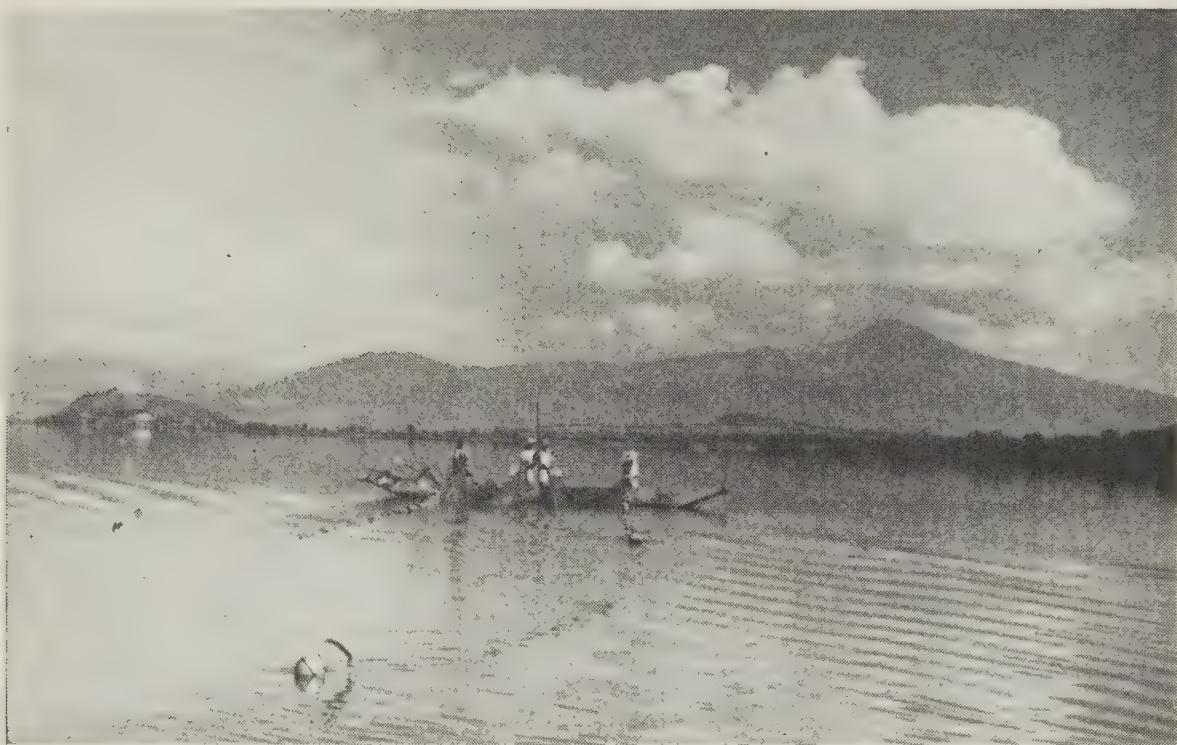
RAILWAY REVENUE AND EXPENDITURE

	Gross Income Figures in Millions of Pesos	Operating Expenses	Net Income Pesos
1940	162.8	147.0	15.8
1941	174.2	151.9	22.3
1942	201.9	183.9	18.0
1943	252.6	238.8	13.8
1944	297.8	286.0	11.8
1945	355.8	342.8	13.0
1946	399.1	413.2	—14.1
1947	410.7	457.6	—46.9

Provision has now been made for an increase in freight rates as from January 2, 1949, thereby increasing revenues by an expected 70 million pesos annually. Passenger rates will be left at practically the same level, as both passenger transportation and passenger revenues decreased by about 13 per cent from 1946 to 1947. This is attributable not only to the economic situation in general but also to growing competition from highway transportation.

PASSENGER TRANSPORTATION

	Millions of Kilometers Travelled	Revenue in Millions of Pesos
1940	1,202.1	30.0
1941	1,261.5	31.0
1942	1,440.9	35.1
1943	1,951.1	51.6
1944	2,471.7	73.0
1945	2,384.7	82.3
1946	2,279.1	84.6
1947	1,983.7	73.0



Fishermen casting their nets on Lake Patzcuaro.

Five-year Rehabilitation Plan Formulated

To modernize the whole system, a plan has been formulated to cover the five-year period 1948 to 1952. The estimated cost is 867.7 million pesos, of which 28 per cent is to be spent within the country and 72 per cent abroad. The railways normally have no funds for rehabilitation and therefore would have to resort to domestic credit for the expenditures in Mexico and to provide foreign credit for the purchase of locomotives, passenger and freight equipment, rails, etc. Most of the equipment bought in the last few years has been financed by loans from the United States. The problem of overstaffing is still a serious one, and the powerful National Union of Railwaymen has indicated its determination to oppose with all its resources any move to reduce the present number of employees in the interest of economy.

Good Railway Connections Between Canada and Mexico

The National Railways of Mexico operate modern trains, with standard pullman-car service through from Laredo, Texas, at the American border, to Mexico City. Travelling time from central Canada is about four days. The Southern Pacific Railway maintains a service from Nogales, Arizona, on the United States border, down the west coast of Mexico, terminating at Guadalajara. Service between Guadalajara and Mexico City is provided by the National Railways of Mexico. Both the Canadian National and Canadian Pacific Railways accept freight and express shipments for Mexico.

Extensive Highway Program Projected

The best-known Mexican highway is the Pan-American, which is now paved from Laredo, at the Texas border, through Monterrey to Mexico City and thence to Oaxaca, 343 miles south of Mexico City.

From Oaxaca to Guatemala City the distance is approximately 650 miles, of which the major portion is unpaved, parts of it being very rough and often impassable in the wet season, from May to November. In addition, there is one stretch of 260 miles, from Ixtepec to Tapachula, which can only be traversed by rail, and automobiles must therefore be loaded on flat-cars. Arrangements for flat-cars must be made with the National Railways of Mexico when passing through Mexico City. It will likely be several years before automobile travel to Guatemala City will be commonplace; meanwhile it is recommended that the trip from Oaxaca to Guatemala City be undertaken only as an emergency measure.

From Mexico City paved highways extend in all directions to many of the most important cities and towns, including Guadalajara, Tampico, Puebla, Veracruz and Acapulco. The total road mileage is estimated at 47,000, part of which comes under the jurisdiction of the Federal Government and the remainder under the state governments. Total allocations and bond issues for highway construction in 1948 amounted to 515,500,000 pesos, or about \$75,000,000 Canadian at the rate of 6.90 pesos to the dollar.

During 1948 the efforts of the Federal Government have been directed chiefly toward completion of the roads already under construction, especially those from Mexico City to the borders of the Republic, namely, the Pan-American to the south, and to the north two important new highways linking Mexico with the central and western portions of the United States, namely, the Ciudad Juarez-Mexico City highway and the Nogales-Guadalajara highway respectively. Neither of these highways is yet completed, but eventually (by 1950, it is predicted) they will afford alternative routes to the Laredo-Mexico City section of the Pan-American highway.

Another Federal project receiving priority is the Trans-Isthmus of Tehuantepec highway from Coatzacoalcos, on the Gulf of Mexico, to Salina Cruz, on the Pacific. This will enable ships to unload on either side of the isthmus, so that cargo may be quickly transported to the other side, thus eliminating the necessity of passage through the Panama Canal.

Work is also proceeding on several short state highways in different parts of the country, and the Federal Ministry of Communications is working out plans for a vast network of secondary roads to connect with state and federal highways in order to establish adequate communication throughout the entire Republic.

United States Capital Invested in Airline Companies

Transportation by air, which is of such obvious importance and necessity in a mountainous country like Mexico, has grown extensively since it was introduced in 1927. Mexico is linked to all principal parts of the Western Hemisphere by the various United States airlines, and a wide network of domestic services connects the capital with the most important towns of the interior and coastal regions. A high proportion of United States capital is invested in most of the domestic airline companies, and only a few are wholly Mexican owned.

The following figures of traffic on regular commercial services illustrate the development of Mexican air transport:

TRAFFIC ON COMMERCIAL AIRLINES

	1941	1943	1947
Mileage flown by regular services....No.	6,000,000	11,700,000	22,000,000
Passengers carried	No. 118,136	265,284	773,672
Freight, express parcels, mails and luggage carried	M. Tons 6,155	10,000	19,000

Although the domestic airlines are generally equipped with war-surplus aircraft of British and American manufacture, the more important ones operate DC 3's and DC 4's. American Airlines, which operates direct flights from Chicago, Los Angeles and New York to Mexico City, now uses DC 6's almost exclusively, and travelling time from New York has been reduced to eleven hours.

In 1948, one new important airline began operations, namely, Aerovias Guest, which is now supplying a direct bi-weekly service between Mexico City and Madrid. In the last three years, many of the secondary airlines have merged their services to reduce overhead, but even so most of them are still experiencing financial difficulties, and it is probable that further economies will have to be effected if they are to survive.

Most Airports in Mexico Privately Owned

The Federal Government owns the airports at Mexico City and Tijuana, the landing field at Acapulco and the military field at Guadalajara, but all other airports and landing-strips are owned and maintained by the airline companies, which adds considerably to their overhead costs. The Mexico City airport has been frequently remodelled to handle larger planes, and plans to build a completely new commercial airport have been under consideration for some time. Owing to lack of funds, nothing has been done so far.

Formation of Merchant Marine under Consideration

Mexico has for a long time been considering the formation of a merchant marine, and recently, at a First Congress of Chambers of Commerce and Industry of Panama, Central America and Mexico, the Mexican Government agreed to take joint action to build a merchant fleet, to be operated on similar lines to the Gran Colombia fleet, owned jointly by the governments of Colombia, Ecuador and Venezuela.

Although a few oil tankers sail under the Mexican flag, and national ownership of five vessels which were seized at the outbreak of the war was confirmed in December, 1948, by the terms of peace with Italy, no concrete measures have been taken to develop an organized fleet, which necessarily would be owned and administered by the Government. Money to buy ships is not readily available, and the capacity of shipyards in Mexico or any Central American country is so small that domestic building of vessels of more than 300 tons is not possible. It is probable that years will elapse before the Mexican flag will be able to compete on established Atlantic or Pacific routes.

Foreign Trade

MEXICO improved its foreign trade balance substantially during 1948. The excess of imports over exports was not expected to be more than 280 million pesos, following adverse balances of 1,080 million pesos in 1947 and 1,239 million pesos in 1946.

The value of exports rose in 1948, and that of imports fell, the total value of foreign trade being approximately 5,300 million pesos, or about the same as for the preceding year. The value of imports was slightly more than 2,816 million pesos as compared with 3,230 million pesos in 1947; that of exports was 2,550 million pesos as against 2,151 million pesos in 1947.

The United States predominates in Mexico's foreign trade, accounting for approximately 80 per cent of the total. In 1948, Canada attained second place among all countries trading with Mexico, Canadian-Mexican trade for the first nine months of the year being valued at 238 million pesos. Great Britain was in third place (138 million pesos), Belgium fourth (63 million pesos), and Cuba fifth (62 million pesos). Mexico's trade with Russia during the same period was valued at 37·5 million pesos, representing Mexican exports of henequen products to that market.

Italy was the only one of the former Axis countries to recover any substantial part of its trade with Mexico. A large part of the 60-million-peso commerce between the two countries stemmed from a barter arrangement by which Mexico exchanged 20,000 tons of refined sugar and a small quantity of coffee for 2,000 tons of Italian rayon yarn. Several other barter agreements were discussed during the year, principally with Spain, Czechoslovakia and Portugal, but none was completed.

SUMMARY OF MEXICAN TRADE

	Exports Pesos	Imports Pesos
1938	493,556,000	493,834,000
1939	554,391,000	627,364,000
1940	584,869,000	668,837,000
1941	513,109,000	914,468,000
1942	667,891,000	752,171,000
1943	1,026,564,000	1,868,633,000
1944	986,009,000	1,348,294,000
1945	1,169,647,000	1,603,071,000
1946	1,396,903,000	2,636,166,000
1947	2,150,935,916	3,230,294,498
1948	2,550,000,000	2,816,000,000

Canada Concludes Trade Agreement with Mexico

Prior to 1939, reciprocal trade between Mexico and Canada was at a low level. Canada established an embassy in Mexico City in 1944, and the following year it was decided to negotiate a most-favoured-nation trade agreement with Mexico. In February, 1946, the Hon. James A. MacKinnon, then Minister of Trade and Commerce for Canada, signed the document in Mexico City with the Canadian Ambassador, Dr. Hugh L. Keenleyside, and Dr. Castillo Najera, Secretary of State for Foreign Affairs.

The trade agreement is a standard most-favoured-nation form that is utilized whenever possible by Canada, with certain changes to meet the individual needs of Mexico and minor concessions required by the Government of that country.

Canadian Government steamship services were inaugurated in 1946 between Vancouver and Manzanillo, on the Pacific seaboard, and between Montreal, Halifax and Tampico-Veracruz, on the Atlantic, to assist in the development of trade. The Pacific coast service was discontinued, but that on the Atlantic was sufficiently successful, and was taken over by the Federal Commerce and Navigation Company, of Toronto.

Trade Pattern Changed by War

Until the postwar period, Mexico was not regarded as an important market for Canadian products. In fact, prior to World War II more Canadian goods were customarily sold through New York for consumption in the United States than to the whole of Central and South America.

Germany, France, Italy, Sweden and Japan, with the United States and Great Britain, were the chief suppliers to the Mexican market before the war. However, with the commencement of hostilities, most European countries formerly supplying the Mexican market were isolated, and they cannot be expected to even partially regain their prewar trade levels for several years yet. The extent to which Canadian-Mexican trade has changed is indicated by the fact that total trade between the two countries in the first five months of 1947 was more than double that for the whole of 1937, and in 1948 it was about ten times greater in value than in 1939.

In recent years, Mexico has had a favourable trade balance with Canada, as indicated by the following figures of the Dominion Bureau of Statistics.

CANADIAN EXPORTS TO MEXICO

1937	\$ 3,429,473
1938	2,348,796
1939	3,008,813
1940	4,328,406
1941	4,254,767
1942	5,583,644
1943	8,329,614
1944	6,272,758
1945	8,165,000
1946	10,536,000
1947	11,700,851
1948	15,045,175

CANADIAN IMPORTS FROM MEXICO

1937	\$ 623,806
1938	576,393
1939	479,150
1940	733,797
1941	1,896,412
1942	4,970,432
1943	12,503,263
1944	13,119,399
1945	13,508,000
1946	14,609,000
1947	16,979,524
1948	27,257,860

Imports from Mexico into Canada are mainly raw materials, while Canadian exports to Mexico are, and will continue to consist chiefly of, partially or fully manufactured goods. A breakdown of prewar, wartime and postwar trade figures follows:

CANADIAN EXPORTS TO MEXICO

	Raw Materials	Partially Manufactured	Fully Manufactured	Total
1937	\$ 122,954	\$ 331,770	\$2,964,468	\$3,419,192
1938	45,155	193,195	2,101,233	2,339,583
1939	127,382	280,346	2,596,022	3,003,750
1943	4,104,963	1,422,973	2,801,678	8,329,614
1944	1,014,457	1,233,351	4,024,950	6,272,758
1947	229,699	1,777,933	9,693,219	11,700,851

CANADIAN IMPORTS FROM MEXICO

	Raw Materials	Partially Manufactured	Fully Manufactured	Total
1937	\$ 591,603	\$	\$ 32,203	\$ 623,806
1938	517,660	58,733	576,393
1939	443,508	35,646	479,154
1943	11,174,252	129,236	1,199,775	12,503,263
1944	12,107,170	111,626	900,603	13,119,399
1947	15,225,396	72,222	1,681,906	16,979,524

Trade Deteriorated After Devaluation of Peso

Until the devaluation of the peso in July, 1948, Mexican trade and industry had experienced a favourable year. Conditions deteriorated rapidly following devaluation, especially in respect of foreign trade. Stores catering to the well-to-do and middle classes have suffered loss of business in proportion to the 40 per cent rise in prices of the imported goods, in which they deal chiefly.

Industrial activity throughout 1948 was better than average. The three major steel-making concerns operated at capacity, except as they were affected by labour troubles, and distribution of their products continued to be on a basis of allocation.

Many plants in the long-established textile manufacturing worked double shifts during the whole year. Some new factories were opened, and in others new equipment was installed. Total export business fell off considerably from wartime levels, and the almost immediate imposition of a 15 per cent export surtax tended to offset the advantage that was gained in foreign markets by Mexican currency devaluation.

The cement industry's production capacity has been more than doubled since 1939, and the demand was sufficient to keep all plants working at full capacity during 1948, despite the decline in building and construction generally. For the first time the industry was in a position to export cement, chiefly to Central America and the United States, and this tendency was greatly encouraged when, in January, 1949, the Mexican Government removed export duties.

Automobiles, practically all of United States make, were assembled at the rate of about 27,000 units during 1948. The volume was high and was not expected to be maintained this year, since prices of locally assembled cars are approximately three times higher than before the war.

The highest metal prices in history did not greatly benefit the Mexican mining industry, the nation's most important source of foreign exchange and the basis of the program of industrialization. Production in 1948 was considerably less than in the wartime years.

PRELIMINARY FIGURES OF METAL OUTPUT IN 1948

	Metric Tons	Pesos
Gold	12	30,000,000
Silver	2,000	250,000,000
Copper	58,000	140,000,000
Lead	200,000	420,000,000
Zinc	140,000	215,000,000
Iron	200,000	14,000,000

By using almost half its annual production of silver in the one-peso and five-peso coins, Mexico has helped materially to maintain the international price of silver.

During 1948, the Bank of Mexico put into circulation 133,700,000 pesos in new five-peso pieces and 22,915,000 pesos in one-peso coins. The total amount of silver used in this minting was 28,393,000 ounces, and approximately the same amount will be used by the mint during 1949.

Two main reasons were given for the Government's decision to mint silver on such a scale. The Mexican mining industry, which is largely under United States financial control, needed an assured market at home, apart from its interest in a stable price on world markets. Coins of this high silver content (which has not changed since the devaluation of the peso in July, 1948) have a psychological value in Mexico that tends to curb inflation. So far as the international market is concerned, the fact that the price of silver varied by only $7\frac{1}{2}$ United States cents in 1948 as against $26\frac{1}{2}$ cents in 1947 was due in an important degree to minting by the Bank of Mexico.

As a result of the world conflict and with the assistance of the United States, Mexico developed her resources of raw materials, especially minerals, fibres and rubber, to a considerable extent. Mexican manufactured goods, such as leather articles, drugs, paints, soaps, cotton textiles and canned foodstuffs, which were in demand in the Americas, owing to wartime and immediate postwar scarcities, have not retained these markets abroad in the face of competition from other domestic producers and exporting nations.

When the war ended, consumer goods were in heavy demand. Due to the extensive purchases of automobiles, refrigerators, radios and similar products, the nation's accumulated reserves of gold and foreign exchange were dissipated with such rapidity that by July, 1947, the Government was forced to prohibit the importation of more than a hundred luxury items and to increase tariffs on some thirty others. The country's net loss in exchange, allowing for exports of gold to the United States, tourist traffic from the United States and export trade, was \$3·1 million in January, 1947. This deficit increased to \$19·7 million in February, \$31·2 million in April and \$52·5 million in June, so that by July 11, when the emergency decrees were issued, the Bank of Mexico stated that it had only \$60 million over and above its minimum requirements to cover currency in circulation. The total loss of exchange in 1947 alone was estimated at \$125 million.

These emergency decrees were introduced as temporary measures to conserve foreign exchange, but they still were in effect at the beginning of 1949. The Government also had ordered, in December, 1947, a return to the multiple tariff (basic rate plus ad valorem payment) and placed a large number of commodities, chiefly materials for industry, under import and export licensing control.

Prospective Exporters Should Study Market

Canadian firms intending to introduce their products on the Mexican market should send a representative to make a careful study of sales possibilities. If he is satisfied that his principals may reasonably expect to create a demand for their products, consideration might be given to the question of opening a branch in Mexico and carrying stocks. This is undoubtedly the most effective method of doing business.

If it is considered impracticable to open a branch in Mexico, a local agent could be appointed. Although commission agents abound in Mexico, only a limited number of firms or individuals are competent to accept representations, and it will be found, in some cases, that they already hold agencies for the type of merchandise which it is proposed to offer.

Definite arrangements should be made with the agent regarding responsibility for collections, bad debts, payments for cables, travelling expenses, cost of advertising, the amount of the agent's commission and when and how it is to be paid. Some firms provide their agents with funds to meet office expenses. In order to avoid unnecessary difficulties, or expense, in connection with customs duty and brokerage, the agent should be asked to state how he wishes this material to be sent to him, and his instructions should be followed implicitly.

Care should be taken to keep the agent supplied with adequate and up-to-date literature in Spanish. Many foreign companies have found it practicable to have their advertising matter and other literature translated into Spanish by their local representative, who naturally uses idioms that are familiar in Mexico. There are many good printers in Mexico who quote reasonable rates on calendars that are usually of high quality.

Sales Methods Vary

Textile machinery is generally sold direct to the mills, Mexico City being the distributing centre. A number of textile mills are established in the Puebla and Guadalajara districts as well as in the capital. Agricultural implements are usually imported direct. Mining machinery is generally bought by the larger mines through indent houses but occasionally through agents or branch houses of manufacturers in the capital. The petroleum industry usually buys through purchasing houses or has its own buying agents in New York, while railway material is obtained through purchasing agents or local representatives of foreign manufacturers.

Documentation and Tariffs

Care must be taken in the preparation of documents covering shipments to Mexico, and any instructions received from the consignee should be followed implicitly. Seven copies of the commercial invoice should be prepared, but sometimes additional copies are requested by customs brokers or forwarding agents at the port of entry. No special form is prescribed, but it must contain all the details required by the regulations. Consular legalization is not necessary. Foodstuffs and beverages in closed containers, medicinal products and toilet preparations must be registered at the Mexican Department of Public Health before their importation and sale to the public can be authorized.

Full details of the requirements for shipping documents, registration of foodstuffs and other regulations affecting the entry of goods into Mexico may be obtained on application to the Commercial Relations and Foreign Tariffs Division, Department of Trade and Commerce, Ottawa.

Mexico Prohibits Importation of Many Luxury Items

Heavy losses of dollar exchange forced the Mexican Government to prohibit, by emergency decree of July 9, 1947, the importation of more than one hundred luxury articles and to impose higher import rates on some thirty other items. The principal prohibited items were: canned meats; fresh and canned fruits; furs; bags; wallets and purses; velvets; certain wearing apparel; hosiery; furniture; jewellery; glass and crystal wares; perfumes; alcoholic beverages; kraft paper; washing-machines; refrigerators; radics and phonographs; pianos; watches; automobiles and omnibuses. Up to December 31, 1948, all items on the original list were still prohibited with the exception of whisky, although all other alcoholic beverages were still banned.

Licensing Requirements Extended

Up to the beginning of 1948, only a limited number of commodities were subject to import licence in Mexico. On February 10, 1948, a list of some 500 items, the importation of which became subject to licence, was issued. This list specified the same goods as were subject to export control in the United States. On September 30, 1948, the list of goods subject to licence was reduced to about 100 items, but another 40 items were added on November 2, 1948. Goods now subject to import licence include: wheat; wheat flour in packages up to 5 kilograms; inedible animal and fish oils; lard; glycerin; artificial fibres of vegetable origin; toys; petroleum products; pig iron; certain iron and steel ingots and bars; copper wire; iron or steel wire; barbed wire; iron or steel pipes and fittings; tin-plate; iron or steel sheets; nails; water-closets, bathtubs and toilet bowls; ethylene glycol; caustic soda; common salt; sodium carbonate; ammonium sulphate and nitrate; red lead in oil; phenolformaldehyde resins; soap; trunks, valises and

suitcases; belts; generators and electric motors; stoves, heaters, ovens and toasters, non-electric; hypodermic syringes and needles; clinical thermometers.

Tariff Equally Applicable to All Countries

The Mexican tariff consists of a single column of duties applicable equally to imports from all countries. In 1942, Mexico and the United States negotiated a trade agreement providing for substantial reductions in duties on each other's goods, and Mexico, in continuation of her former non-discriminatory policy, extended the benefits of her tariff concessions to the United States to all other countries.

Coincident with the introduction in July, 1947, of import prohibitions and as part of the program to check the heavy drain on foreign exchange, duty increases ranging up to 300 per cent became effective on July 26, 1947, on some 30 tariff items.

Beginning November 13, 1947, a series of decrees resulted in the Mexican tariff schedules being completely rewritten. Previously nearly all Mexican duties were specific, i.e., were levied on the weight of the goods. Under the new tariff, duties are a combination of specific and ad valorem rates. The revision was largely upward and was explained by the Administration as being necessary in order to correct the situation of relatively declining revenues and diminishing protective incidence of the specific duties, the ad valorem equivalent of which had declined with increases in the prices of imported goods.

Ad Valorem Rates Based on Official Valuations

The ad valorem portion of the import duties is levied on official valuations, a table of which, covering most items of the tariff, has been published. The official valuations are based on the average statistical unitary value of the merchandise in each tariff item during the year 1947, increased in relation to the price index for the current year. Exception is made for those items appearing in the Mexico-United States trade agreement, for which valuations are based on the statistical value in the first quarter of 1948.

Emergency Measures Introduced Reluctantly

To summarize the present situation, Mexico is attempting, by prohibiting luxury imports, licensing regulations and increased duties, to bring her dollar payments position into equilibrium with her reduced dollar reserves. These emergency measures were taken reluctantly and were admitted to be more in the nature of a recognition of critical trade and financial conditions than the pursuance of a deliberate foreign trade policy. Government spokesmen have stated that Mexico had always been in favour of the elimination of barriers and obstacles to the development of commerce, but that restrictive measures had been made necessary by the highly unfavourable national balance of trade. It was stated by the Government that the situation was in the nature of an emergency created by external factors which, if they persisted, would endanger Mexican economy.

Taxation and Wages

THE principal federal taxes, affecting business firms, are income tax, excess profits tax and stamp tax. In addition, if an undertaking is located in the Federal District, it will also be subject to local taxes levied under the tax law of the Federal District, of which the most important are capital or business tax, tax on proceeds of capital, and tax on sales of luxury articles.

The income tax law now in force became effective on January 1, 1942, but has since been amended in several important respects by subsequent presidential decrees and official treasury rulings. It is, therefore, advisable for Canadian businessmen resident in Mexico, to have all their tax matters handled through lawyers, special tax consultants or local branches of international auditorial firms.

For purposes of assessment, income is classified under five schedules for which different methods of tax collection and different rates of tax are prescribed. The five schedules are as follows:

- I. Profits of commercial, industrial and agricultural undertakings.
- II. Interest on bonds, loans, etc., commercial royalties, rentals of movable property, dividends, and miscellaneous income not included in other schedules.
- III. Mining rentals and royalties, profits from the sale of mining rights and other governmental concessions.
- IV. Salaries and similar emoluments.
- V. Earnings of professional practitioners, artists, etc.

The employer is required to withhold the personal income tax payable by his employees on their remuneration and to pay the tax withheld in any month to the local tax collection office within the first fifteen days of the following month in exchange for an official receipt issued in duplicate.

TAXES PAYABLE ON PERSONAL INCOMES

From—	To—	Percentage Tax
2,000.01 pesos	2,400.00 pesos	3.8
12,000.01 "	18,000.00 "	6.4
36,000.01 "	48,000.00 "	11.1
108,000.01 "	150,000.00 "	19.4
350,000.01 "	400,000.00 "	25.7
Exceeding	500,000.00 "	30.0

Up to December 31, 1948, the taxes paid on earned income by business organizations were not high in comparison with those imposed in Canada or the United States. However, as from January 1, 1949, an excess profits tax is also payable by all merchants, industrialists and agriculturists whose gross income exceeds 200,000 pesos, and in such cases it is applicable to profits in excess of 15 per cent of the invested capital at the following rates:

TAXES PAYABLE ON EXCESS PROFITS

Percentage of Invested Capital	Percentage Rate
Up to 15	Exempt
Exceeding 15 up to 20	5
Exceeding 20 up to 30	10
Exceeding 30 up to 40	15
Exceeding 40 up to 50	20
Exceeding 50	25

While gross income is not specifically defined in the new law, it is understood to be total receipts from sales and other sources. Profits, for the purpose of this tax, are those remaining after the deduction of regular taxes and the dividend tax. Invested capital is defined as the sum of the paid-up capital plus capital reserves and undistributed profits, in the case of companies, and as the personal capital actually invested, including long- or short-term credits, in the case of individuals.

This legislation has provoked strong objections from branch companies located in Mexico which have a very nominal capital and do a large amount of business on current account, as they are most affected. However, the Government, in defence of the legislation, contends that the purpose is to introduce into the fiscal system a new element of equity and that the liberal exemptions give plenty of scope for profitable operations in Mexico.

Capital or Business Tax on Graduated Scale

The tax is normally assessed on the total capital, either of the proprietors or others, invested in a business established for lucrative purposes and located in the Federal District. It is computed on the total assets as shown on a company's balance sheet, with certain specified deductions such as real estate values, deposits, allowance for bad debts, depreciation, etc.

The tax is imposed on a decreasing scale beginning with 4·5 per cent per annum on the first 5,000 pesos of an assessment, and ending with a rate of 1·1 per cent on any portion of the assessment exceeding 1,000,000 pesos, with an additional 15 per cent federal tax. A general idea of the tax payable, including the 15 per cent additional tax, may be obtained from the following examples selected from the graduated scale:

TAXES PAYABLE ON CAPITAL

Assessment Pesos	Annual Tax Pesos
200,000	6,583.75
300,000	9,027.50
400,000	10,982.50
500,000	12,765.00
1,000,000	20,240.00
2,000,000	32,890.00

Stamp Tax Applicable to Commercial and Legal Documents

The most important part of the federal Stamp Tax Law consists of an extensive schedule of rates assessed on the different kinds of commercial and legal documents and of rules regarding the application of such rates. As the name implies, the tax was in the beginning invariably payable by affixing revenue stamps to the relative documents, but more recent regulations permit the use of stamp meters (for the payment of stamp tax on sales invoices and receipts), or payment in cash in certain specific cases. The rate is 8·80 pesos per 1,000 pesos except for receipts, for which it is 1·10 pesos per 1,000 pesos.



Canadian film featured at theatre in Mexico City.

Trade Unions Strongest in Latin America

It is generally considered that Mexican trade unions are probably the strongest in all Latin America, and collective contracts are operative in all the leading industries of the Republic. Protective clauses include provisions affecting promotion, terms of dismissal, hours of work, paid holidays, medical services, regulated wage scales, overtime, etc. The Labour Law of August, 1931, provides that, when two-thirds of the employees and union workers in any specific industry enter into a collective labour contract, this contract may, by federal decree, be made binding upon all the workers and all the employees in that industry. Boards of conciliation and arbitration were also established to act as referees in labour disputes.



Floating gardens at Xochimilco, thirty miles from Mexico City.

Collective Contracts Aid Workers

Other legislation designed to improve the general standard of the masses includes the Social Security Act, which came into operation in 1944, the cost of the services of which are met jointly by the Government, employers and employees. The application of this latter principle has met with considerable opposition from the workers, who consider that the advantages to be derived from collective contracts, under which contribution is voluntary, would be greater and more certain than those obtainable from the government organization, which is still in the process of formation. As a result of this opposition, the workers have in many instances refused to agree to deductions from their wages to meet the prescribed contribution to the social security fund, although the employers' contributions have been duly paid.

Wages Advance with Cost of Living

Average normal wages in the Federal District rose by 75 per cent in the period 1934-41 but, owing to the abnormal increase in the cost of living during the same period, real wages increased by only 6·75 per cent. From 1941 onwards, industrial wage scales rose consistently in a frantic but vain endeavour to keep pace with the steady increase

Native costume of Puebla, photographed in a Mexican patio.



in the cost of living, and in certain industries wages were further raised by as much as 50 per cent in 1944, either by government decree or by concessions secured for the workers by their respective unions. The following statistics, from the monthly publication issued by the Banco Nacional de Mexico, S.A., show the increases in wages paid since 1944: 1944, 278·0 million pesos; 1945, 324·9 million; 1946, 406·9 million; 1947, 507·1 million pesos.

Workers are making every effort to obtain wage increases, basing their demands on the effects of the peso devaluation on the cost of living. Since July, 1948, wage increases have averaged 6 per cent and may even reach higher levels in certain industries. However, the Government is attempting to maintain at all costs the buying power of wages and, in order that workers may be satisfied, has in recent months set up public markets where food prices are rigidly controlled and are considerably below those prevailing in the average grocery.

Office Building Rentals Continue High

There has been a great amount of office building during the past few years, and the work is continuing. Ultra-modern, well-equipped office premises of a semi-skyscraper type have sprung up all over Mexico City, and dozens of new buildings are under construction at time of writing. Rentals generally are fairly high but vary in relation to location and the amount of space required.

The commercial centre of the city is the section immediately south and west of the Zocalo, or main city square. This area is divided into three zones, known locally, in real estate parlance, as "cuadras". The first includes a dozen square blocks along Avenida Madero, stretching from the Zocalo up to the Palace of Fine Arts. This is an important shopping district, and many banks, insurance companies and other commercial enterprises are located here. The second zone includes those blocks east of the first, where rentals are slightly lower. The third zone lies to the west, where the buildings are old and the rentals still lower. The rent for available office accommodation in the first zone is approximately 8 pesos monthly per square metre, 4 pesos in the second and 2 pesos in the third. In view of these costs, many small enterprises occupy premises in residential and semi-residential areas.

Office Furniture and Personnel Available

Wooden office furniture of domestic production is obtainable at prices lower than in the United States or Canada, but it is of inferior quality. The finer types, both wooden and steel, are made locally and, since July, 1947, the importation of foreign-made furniture has been prohibited. Two or three Mexican companies manufacture good-quality steel furniture at prices comparable with those prevailing in the United States or Canada.



Gulf fishermen at Vera Cruz.

It is possible to obtain the services of qualified Mexican employees for all minor office positions, and competent bilingual secretaries are also available. The following table gives a general idea of monthly wages paid to office personnel of foreign firms in the capital:

WAGES PAID OFFICE PERSONNEL OF FOREIGN FIRMS

	Pesos per Month
Chief clerks (office manager)	1,500 to 2,000
Bookkeepers	500 to 1,000
General clerks	350 to 500
Secretary-stenographer, Spanish	300 to 500
Secretary-stenographer, bilingual	650 to 1,000
Minor clerks	250 to 300
Messengers and janitors	135 to 300

Tourist Traffic

MEXICAN immigration regulations are sometimes subject to sudden changes. In order to avoid the possibility of any delay at the frontier, travellers to Mexico should, if possible, consult their nearest Mexican Consul before beginning their journey. Among standard requirements is a Mexican visa and a smallpox vaccination certificate which must have been issued within the preceding five years. All tourists must apply in person at a Mexican Consulate for a tourist card before entering the country. The addresses of Mexican Consuls in Canada are as follows: Consul of Mexico, 103-109 Lower Water St., Halifax, N.S.; Consul General of Mexico, 507 Castle Bldg., Montreal, P.Q.; Consul of Mexico, 619 Howe Street, Vancouver, B.C.

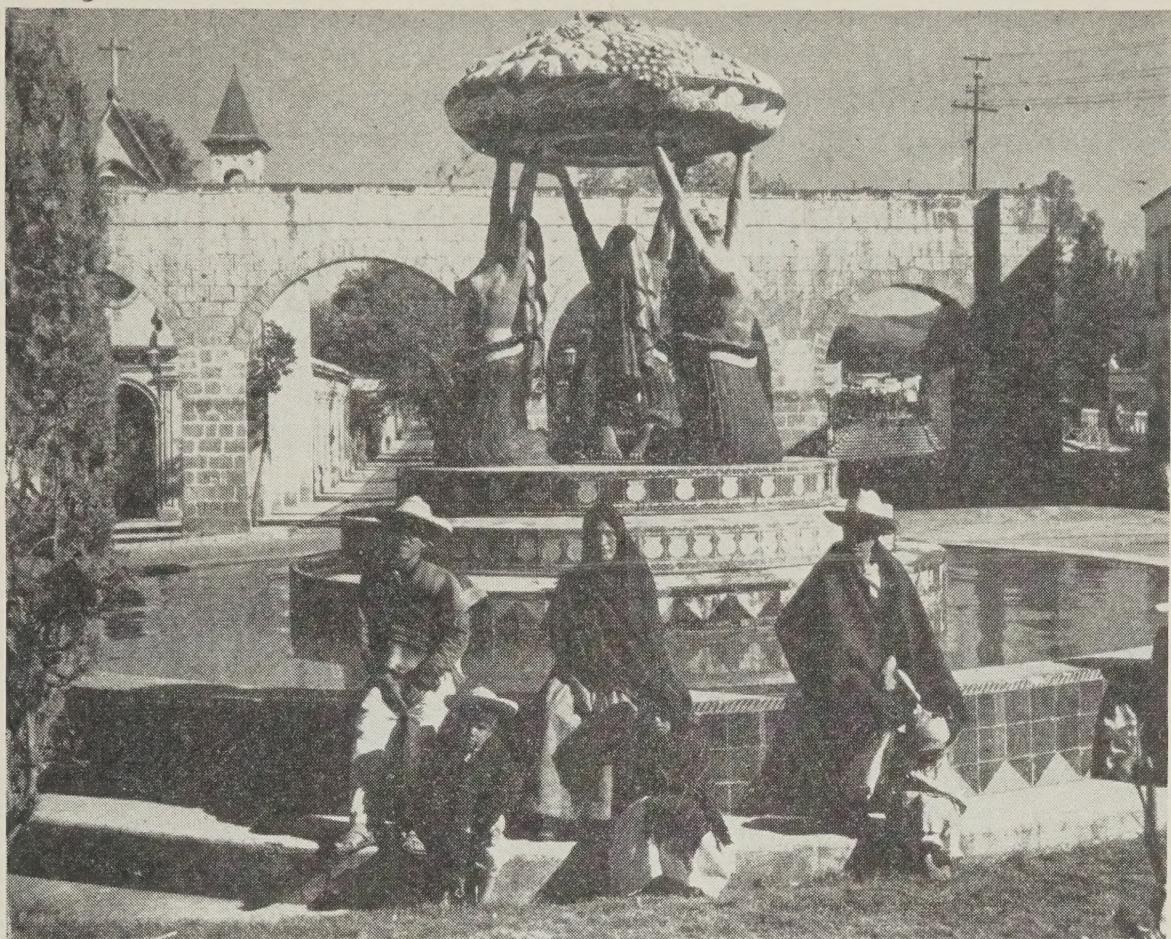
Should prospective tourists be unable to visit these consulates in Canada, there is little difficulty in obtaining visas at Mexican Consulates situated in the major cities of the United States and along the frontier at Tijuana, California; Calexico, California; Nogales, Arizona; El Paso, Texas; Laredo, Texas; and Brownsville, Texas. Businessmen who intend to make a brief visit for business purposes may enter the country on a tourist card, which is valid for six months and is only renewable by crossing into the United States and then re-entering Mexico. Canadians proceeding to Mexico for the purpose of establishing a business must obtain special permits issued by the Department of Immigration in Mexico. Special work permits are also required for persons whose services have been requested by firms in Mexico in a technical or advisory capacity.

Many Canadians Have Visited Mexico

Many Canadians have visited Mexico in the past and, with the removal of wartime restrictions on gasoline and tires, an increasing

Lake Patzcuaro fishermen loading nets into their boats.





Picturesque fountain at Morelia.

number will likely visit this country in the future. Due to the close proximity of the United States and the long-standing cultural and economic relations between the two countries, Mexico has for many years served as a holiday ground for visitors from that country.

All Mexican tourist records were broken in 1946, the total number of visitors being estimated at 350,000. The previous peak year was 1945, when 340,000 tourists spent \$78,000,000. In 1947 the same number visited Mexico as in 1945, but they spent \$36,400,000 more. The lowest recorded number of visitors to Mexico was for 1938, during the expropriation of the foreign oil companies, when only 90,000 spent \$14,000,000.

TOURIST TRADE

	Number of Tourists	Expenditures
1936	99,000	U.S. \$ 15,000,000
1937	153,000	25,000,000
1938	90,000	14,000,000
1939	183,000	53,000,000
1940	188,000	54,000,000
1941	200,000	55,000,000
1942	100,000	27,500,000
1943	207,000	56,000,000
1944	190,000	55,000,000
1945	340,000	78,000,000
1946	350,000	121,000,000
1947	340,000	114,000,000

Of total expenditures by North American tourists in Mexico, 68 per cent is spent within a 20-kilometer zone south of the United States frontier.

The distribution of the tourist dollar is approximately as follows: commercial buying, 26·0 per cent; restaurants and coffee shops, 20·5 per cent; accommodation, 17·3 per cent; transportation, 21·8 per cent; entertainment, 8·5 per cent; miscellaneous, 5·9 per cent.

As of January 1, 1949, returning travellers will once more be able to bring with them into Canada, subject to the usual regulations, incidental personal purchases valued at not more than \$100, provided they have been out of Canada not less than 48 hours. It is reported that, although the present ration of funds for pleasure travel abroad remains unchanged at \$150 per year, Canadians can now spend part of their travel allowance for gifts or personal articles which they may bring back with them.

Corner of the Plaza de Armas in Guadalajara.



